Europe towards Banking Union

An Explanation of the Decision-Making Process

Why is Banking Union likely to be achieved when some member states favor the proposal while others hinder it?

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Abstract

A European Banking Union as the solution to the financial crisis was proposed by the Commission and is currently discussed in Brussels. While international actors strongly promote the proposal and a timely implementation, the member states are split in their opinions. France, and with it a number of other states, is strongly favoring the idea, while Germany voiced opposition to points of governance and application scope. Non-Eurozone countries, such as the UK are mostly concerned with their role in the new Union and fear a possible marginalization in Europe. But with split opinions on the matter, agreement seeking becomes difficult and a solution seek far fetched. This research poses the question why Banking Union is likely to be achieved even when member state opinions are split, and will elaborate on the process of decisions making and agreement seeking on Banking Union.

The integration theories of neofunctionalism and intergovernmentalism are used to evaluate the process of opinion shaping, and the influence of various actors in the proposal development and decision making. The demand of integration in banking as it is represented by the international actors is judged against the willingness of member states to supply integration. What is found is that national actors tend to lobby their governments strongly and encourage bargains and compromises that support their positions. The outcome of these negotiations then depends largely on the bargaining strength of the respective states; in Banking Union it is the financially stronger and economically well-doing member states that are in the best position. Therefore, Banking Union is likely to be achieved in the coming years, with changes according to German and other strong states' preferences.

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Introduction

The ongoing international financial crisis has brought many banks and subsequently also states to the brink of failing. A possible solution in form of a European Banking Union is currently discussed in the European institutions and by the member states. This paper shall focus on why a Banking Union is likely to happen or fail and what obstacles exist in member states' approval.

The shared currency and single market inevitably link banks and their well doing as well as failing closely together. However, the coping mechanisms of states and EU institutions are highly complicated, for there is no single fiscal policy approach pursued in the currency area. Recently, the argument is often worded that next to the Economic and Monetary Union (EMU) a European Banking Union needs to be installed to successfully deal with threats to the common currency and Single European Market (SEM). The idea is to establish an EU supervisor over national banks to intervene when necessary and to break the link between banking debt and subsequent bank failure and national debt that can lead countries into bankruptcy. While this is discussed in European summits between national heads of state and governance, also the finance ministers, the EU institutions, international and national actors voice their opinion on the matter. Generally, there are many groups or actors lobbying in favor of a Banking Union being quite optimistic about the design and decisions of it, while at the same time a considerable number of people claim that this is not the most useful or efficient way to handle the crisis.

European integration history has shown that member states are rather reluctant to give up sovereignty in core areas to the state, such as the adoption of the common currency where the UK and Denmark even used opt-outs to be excluded. That the road to a European Banking Union, where member states would have to give supervisory authority and crisis management to a European level institution will not be easy is thus evident. Existing theories on European integration argue for different key actors in the decision making process. Neofunctionalism names especially the existing EU institutions and supranational pressure groups as influential in the discussion of the proposal while liberal intergovernmentalism identifies the domestic interests as essential in shaping member states opinion. Domestic interests are defined by national interest groups, the political parties in office and their agenda, by public opinion and through a cost and benefit analysis of experts.

In trying to answer on the likelihood of a Banking Union coming into existing, it is these factors that need to be closer elaborated on. For supranational pressures the EU institutions and several key actors in the field of monetary and fiscal policy will be observed and their opinions outlined, meaning for example the IMF, G20 or the United States government. Since the EU collectively and every member state individually has trading ties to several international actors they are interested to comply with foreign opinions on crisis solutions, in order to ensure trust in and stability of the European currency and market. For domestic interests a selection of countries will be studied, namely Germany, the United Kingdom (UK) and France. The country selection will focus on these bigger Member States with a “strong historical background on state sovereignty“ (Verdun, 2002, p. 9), as Verdun argues that those states have the greatest influence on shaping European policies according to their interests. Intergovernmentalism also assigns the strongest bargaining position in the European arena to the largest and wealthiest member states. Thus, next to Germany, which is said to dictate the direction of monetary policy and the current austerity actions in troubled member states (Wittrock, 2012), the UK and France are obvious choices for they have played key roles in European integration history and have strong national interests in Banking Union. The UK as a non-Euro country has already voiced strong opposition to an integrated approach, but as the fiscal compact treaty has recently shown, Europe is also prepared to move forward without all member states agreeing. Following from this, the UK is an interesting case to elaborate on for they are aware that in order to be able to intervene in the proposal’s negotiation they cannot block the idea from the beginning on. France on the other hand generally welcomes a European approach and is of the three selected cases probably the most enthusiastic about the proposal. Germany is concerned about a governance mechanism that treats all banks equally for their cooperative banks have not seriously been influenced or troubled by the crisis and should thus not be set equal with risk-taking cross-border banks.

In assessing which actors are the drivers of Banking Union and who will be the maker or breaker of the proposal, international as well as domestic interests of the involved actors will be established. The demand for integration and the supply of it will be investigated using the theories of liberal intergovernmentalism and neofunctionalism. The main research question that will be elaborated in the thesis is the following:

> *Why is Banking Union likely to be achieved when some member states favor the proposal while others hinder it?*

In answering this, the underlying interests of domestic opinions are identified and judged against the proposal. If liberal intergovernmentalism is correct in its assumptions, then domestic interests will decide on the favoring or hindering of a respective member state. If neofunctionalism on the other hand is correct, then even a negative domestic opinion will not hinder the proposal because member states are pressured into an agreement by the supranational interest formation. To assess this further, the incentives for a Banking Union proposal, the proposal drafting and agenda setting and finally the negotiation process and decision making will be evaluated.

The following section will outline the respective theories of liberal intergovernmentalism and neofunctionalism to provide a basis for the paper, followed by a description of the Commission’s proposal on Banking Union with the most essential points and a minimal to maximalist scale of what Banking Union might entail. The third section will then establish the international opinion of various actors on the proposal, with the subsequent section doing the same for domestic interests.

To define national interests, various actors and groups will be considered to outline the crucial points in member states' domestic concerns. The fifth section will then apply the integration theories to the development of the proposal and evaluate the influence the actors had and are likely to have in further negotiations. This will help to identify the actors demanding and supplying integration and thus the reason for the establishment of the Banking Union or the hindering of it. The last section will give a rough outline on the future of Banking Union and the scope that is likely to be reached.

Theoretical Framework

Banking Union implies the transfer of national sovereignty over banking supervision, crisis measures, and to some extent financial resources and fiscal policies to the European level. This sovereignty transfer, in a core area to economic well-being of the nation state, is surely one of the more significant in European integration history and one that is hard to achieve. No member state, even when generally favoring the EMU, will be giving sovereignty up lightly, therefore, opposing views and opinions and subsequent discussions on the form of deeper integration can be analyzed and evaluated. In trying to answer on the question of why Banking Union is likely to be favored and hindered by the member states, the incentives behind their decisions must be analyzed. Integration theories, the most prominent being neofunctionalism by Ernst Haas and liberal intergovernmentalism by Andrew Moravcsik, try to explain the underlying interests in the past European integration and can thus be used to analyze present decision-makings and even predict possible outcomes. Even though these theories are widely accepted, they are not free of criticism; therefore any conclusions and generalizations derived from them must be considered with care. After analyzing the two theories and explaining the Commission's proposal on Banking Union, the actor analysis will begin.

Neofunctionalism versus Liberal Intergovernmentalism

Neofunctionalism by Haas, Lindberg and many other authors was defined and redefined from the 1950s to the early 1970s. The main assumption of the theory is that of spillover, arguing that "integration would be self-sustaining" once it had started (Haas, 1958; Moravcsik, 1993, p.475). Nation states are recognized to be important actors as they are the ones able to create organizations for functional integration. Successful integration in one area is expected to trigger integration in related sectors, thus creating an integration dynamic promoted by supranational interest groups and the already existing organizations through elite socialization (Cini, 2007; Schmitter, 2005, p.257). Elite socialization refers to the idea that people regularly involved with the supranational organizations or the promotion of the integration process will develop loyalties to the supranational level rather than the national one. National actors, in the European case the member states, are still involved in the integration process but do not determine the scope or direction of integration. Further, they are seen as not willing to hinder integration for they have come to recognize that a European approach will provide instruments not available to a single state, thus a European approach is more useful and efficient than a national one would be (Risse, 2005). This effectively hinders states to withdraw from integration when critical areas are touched. As the governance of certain policy areas is moved to a supranational level, interest groups will seek a reorganization process of their own, transforming into supranational interest groups that lobby directly to the organizations, reducing the relevance of the nation state (Cini, 2007). Eventually also citizens will look towards the created international organizations, depriving the nation state of its main legitimacy and thus disabling it to stop or interfere with the integration process (Schmitter, 2005). However, already in the 1960s with the stagnation of integration through the French blockade, known as the Empty Chair Crisis, neofunctionalism was heavy criticized. It failed to explain the resistance of member states to transfer powers to the European institutions in fields that touched upon the political sovereignty of the nation state. Only in the late 1980s and early 1990s with the creation of the Single European Market and the European Union the theory came back into focus of scholars. It is commonly agreed that the failure to explain essential periods in the integration process limits neofunctionalism to a certain extent, but it is nonetheless widely respected for providing a partial explanation of the European integration process (Cini, 2007).

Applying the theory to the Banking Union discussion the following picture evolves: Logically speaking a spillover triggering a European Banking approach was long overdue. The creation of the Single European Market (SEM), the EMU and the common currency in many member states are perfect stepping stones on the way to Banking Union. Proposals from within the institutions are not lacking either. Over the years, the European Commission has proposed several instruments to create closer links between member states in fiscal policies[1]. However, only now the financial crisis has provided the perfect opportunity to deepen integration through common supervisory institutions and a Banking Union proposal. Also, supranational actors are not holding back their opinions on the topic: Next to important global players like the United States (US) or China which have explicitly expressed their support for Banking Union, also the International Monetary Fond (IMF), the World Bank and the G22 are pressing for an integrated European solution (Wroughton & Baker, 2012). Further, national banks and financial institutes that are increasingly active across national borders tend to demand European solutions (Taylor & Gould, 2012). If neofunctionalist theory is correct in explaining European integration, a Banking Union must evolve from this demand, even when member states are reluctant to give up power.

Deriving from this the following hypothesis can be posted:

[1] See the ECB timeline on the financial crisis for proposals and achievements http://www.ecb.int/ecb/html/crisis.en.html

H1: *The European institutions play an increased role in the promotion and development of the proposal and aim to pursue it even against member states' reluctance*[2].

A second hypothesis that could be used to elaborate neofunctionalist explanations can only be fully tested when the proposal is agreed upon, but it can already be used for the current decisions and developments:

H2: *The content of the proposal could not be significantly changed by member states in the discussion process and still reflects the interest of the European institutions and supranational actors.*

In neofunctionalism the drivers of integration are the European level actors, or more generally the international actors. However, the design of the EU allows decisions to be taken only with member state approval through the Council of Ministers, the European Council, ore in drastic cases only through treaty changes. This emphasizes that the demand for integration originating in the international actors can only be met by a supply of integration for which the member states are needed.

The second theory most discussed in the European integration context is liberal inter-governmentalism by Andrew Moravcsik. It puts the nation state in the center of analysis and is somewhat based on realism in arguing that states will evaluate their position in the international system and decide on integration by weighing their national costs and benefits. Especially economic considerations seem to play a role in the national interest formations, with special regard to economic interdependencies (Moravcsik, 1993, p. 480). For European integration this means that cooperation is most likely in policy areas that "do not touch on fundamental issues of national sovereignty" (Cini, 2007, p.100), starting in economic fields like the European Coal and Steel Community. International institutions are created by the states if deemed necessary for the independent governance of a specific field, and receive authority only through the nation states' support; this makes the member states the supplier of integration, in that they have to agree to it. Even today most decisions in the EU are taken by unanimity[3], which arguably slows the integration process down, but ensures the control of every member state on the further direction of European integration. The European Council, which is momentarily crucial in the discussion of plans on a financial crisis resolution system, clearly showed these national interests in many areas that have been subject to integration, such as the Monetary Union. The formation of national interests is

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[2] For similar argumentation, see: Sweet, A. and Sandholz, W. (1997), 'European Integration and supranational Governance', Journal of European Public Policy, 4:297-317.)

[3] Even in qualified majority voting the member states have the chance to veto through the Luxembourg Compromise that allows every member state to veto a proposal or policy if it is against national interests

considered to be an interplay of lobbying through domestic interest groups, political discussions, and economic as well as political cost and benefit calculations (Moravcsik, 1993, p.481).

For the European Banking Union this implies that member states' favoring or hindering of a policy proposal is crucial and that they will decide according to national interests. The domestic interests derive from economic considerations as well as political implications, meaning that member states will most likely be reluctant to give up authority in an area essential to the economic well being of the state. Presently the discussion of material costs in trying to save the common currency and bailing out single member countries is weighed against the costs of national bankruptcies and a possible collapse of the Euro (Elliott, Treanor, & Wintour, 2012). Even the pressure of external actors such as the US, China or the IMF, as mentioned above, are unlikely to push member states into approving the Banking Union proposal if domestic interests are not in line with it. They would even consider the high opportunity cost of jeopardizing European unity, if necessary.

Currently, the national banking lobbies can be observed interacting with the state governments; where larger commercial banks generally favor the Banking Union idea. Smaller scaled banks in some member states argue for a distinction between banks that should be subject. The public across the EU is not opposed to a European approach, but not necessarily sees it as best approach. The political parties bring the views of individuals voters, lobby groups and industries and their own party foundations together and create a national opinion from this. Especially the potential costs and benefits are regarded to evaluate the European approach against a national one. Since unanimity is necessary in the decision making on the proposal, it is the member states and their domestic interests that must further be considered in answering on the prospect of succeeding towards Banking Union. Therefore, the following hypotheses shall be elaborated regarding the proposal:

H3: *Domestic actors and interest groups influence their national governments towards a specific stance on the proposal to protect domestic interests.*

H4: *The bargaining power of the member states depends next to the size also on the financial means, as Banking Union cannot be achieved without funds being made available.*

H5: *Member states with similar interests*[4] *will group together and form coalitions in the discussion of the proposal to increase their bargaining power and protect domestic interests.*

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[4] Interest being material interests to come out of a European solution as well as common ideas about the design and function of Banking Union.

These theories and derived hypotheses serve as the basis of this research in that they define how domestic and international interests can be explained, and later also serve as means to analyze the state decisions towards Banking Union. To further analyze domestic interests and subsequent decisions, the idea of economic nationalism will be outlined shortly.

Economic nationalism refers to the protection of the national economy and its actors against outside influences, not only through protectionist policies, but also with state aid that is provided to specific institutions. It aims to solve national problems with national solutions, at the expense of other states and sometimes even at national gains. Economic nationalism in the financial sector exists especially in times of crisis, even though state involvement in banking is generally questioned (Busch, 2009). Through the growing connectedness of banks in the international market, the risk of contagion and multiple failures arose, which states now seek to limit with national policies; while aid to financial institutions is a common practice, more interventionist policies that could restrict foreign investments and banking activity in the European market are sought (Clift & Woll, 2011). For the EU this means that national policies can endanger the free functioning of the single market and that the EU institutions should protect the market integrity against economic nationalism in the member states, which could be done with Banking Union. But especially the prospect of the supranational level limiting the national intervention possibilities in the financial sector can trigger more economic nationalism, which for the member states means to place themselves over the well being of others or the union as a whole (Morgan, 2012). The doubt on how effective an EU solution can be leads to national measures which are deemed more responsive and effective to handle the current crisis.

For Germany the protection of its financial resources could be jeopardized by a European solution, while for the UK it might entail the loss of its autonomy in financial matters, or a complete isolation from European decisions on the field. But also the protection and aid provided to individual national banks is endangered, as Banking Union would place the oversight with the EU. National champions in the financial sector can thus no longer be protected in crisis. The member states can thus be expected to protect their national economy with domestic policies against an EU solution if they feel the need to do so. Economic nationalism goes hand in hand with the liberal intergovernmentalist logic of integration only when beneficial to the states. However, before shifting the focus on the national actors and interests that are involved, the Banking Union proposal will be illustrated and its possible scope explained.

Conceptualization of Banking Union

Several scholars identify Banking Union as the one way out of the crisis for the EU. The component they all agree on is that this union can only be established under a central supranational EU level supervisory authority (Begg, 2009; Dabrowski, 2010; Pisani-Ferry, Sapir, Veron, & Wolff, 2012; Spendzharova, 2012). The basis for this argumentation lies in the link between bank failure and debt and the national bail outs that bring nation states to the brink of failing. If bank oversight and eventually also resolution is placed with an EU supervisor banks cannot lobby their national governments for bailouts and member states are not drawn into failure by their banks. Besides this point which is considered crucial, a spectrum exists on which the proposal content can be evaluated, meaning that Banking Union can range from very extensive to limited. This can be established through the consideration of points in the proposal that are likely to be agreed upon. A second spectrum considers the member state involvement in the proposal, ranging from entire European to entirely member state. Both of these will be defined more clearly below and will be used in the course of the paper to asses the findings.

The European Commission has produced a proposal arguing that mere coordination of member state procedures and national supervisory authorities is not sufficient in dealing with the crisis and that an EU level supervisor is needed (European Commission, 2012d, p.3). Crucial in this design is the full enforcement capacity of the authority and a legal framework that allows it to act bindingly on all institutions. Part of this EU authority would also be a single supervisory mechanism composed of ECB and national supervisors monitoring and supervising all union banks and their activities. Applying common rules elaborated by the European Banking Authority (EBA) to the banks across nation states would ensure a consistent monitoring and supervision and would enable the ECB to act when deemed necessary. Considering the new role the ECB would play in Banking Union, provisions separating monetary and supervisory action of the institution would have to be installed to prevent conflicting interests within the institution.

Next to the EU level supervisor a second core idea is present in proposal: crisis management. The recent crisis has shown that nation states do not only evaluate risks differently and see the point of state interference at different phases of the crisis, but also that the national approaches in dealing with bank failures are very diverse (Hardie & Howarth, 2009). Especially since banks provide capital for nation states, the states are interested in crisis solutions that do not endanger bank failure. The EU proposal calls for the ECB as risk evaluator to intervene and order banks to act on internal problems before it can come to systemic failure. The rules set out by the EU authority shall be enforced by banks under the monitoring of the ECB to deal with an evolving crisis and to prevent deepening its effects. Further, it shall be agreed on a single resolution mechanism applicable to all banks, ideally in all member states but at least in the whole Euro Area, aimed to establish rules for the recapitalization of banks (European Commission, 2012d, p.9). The notion that some banks are “too big to fail” became apparent with the consequences of Lehman Brothers’ failure; it states that some larger banks are interconnected to a level in which their failing would endanger more financial institutes and economies and thus negatively impact the economy. This led to a constant bailout of large banks and thus increased state support tremendously, resulting in rising public debts. The granted state aid in the first three years of the crisis, from October 2008 until October 2011, granted by the Commission was €4.5 trillion (equivalent to 37% of EU GDP) (European Commission, 2012a). While these costs could hardly have been avoided in trying to stabilize markets, it is also clear that they are undesirable and must result in a new governance of the financial sector. The proposal thus states that in case of bank failure the ideal measure would be a controlled insolvency of the bank; only when insolvency would be more costly than saving the bank should a rescue plan be made (European Commission, 2012e). The financial means for this should be provided for by member states, ideally through national banks and investment firms, according to the size of the national financial sector, so that the net contributor would theoretically also be the beneficiaries in case of resolution (European Commission, 2012a). The provided funds should be used for national institutions first but could, in the case where a member state' fund cannot bear the costs of resolution alone, borrow from one another (European Commission, 2012e). The idea is to break the link between banking debt and bail out costs that drive member states into higher sovereign debt. Especially the larger and richer member states, such as Germany, fear that this is an easy way for the rest of the Union to receive access to their national finances without official approval from the state. Before the establishment of the resolution fund, but once the EU supervisory authority is installed, banks can directly apply for funds available in the European Stability Mechanism (ESM) without having their home countries involved. The idea of the resolution fund comes close to that of Fiscal Union, in which common bonds and finances for all member states are made available in exchange for EU control over tax incomes and spending. Fiscal Union, which could not be agreed upon before, has become an essential part of Banking Union.

The third most discussed point in the design of a Banking Union is the application scope. The essence is that the single market has interconnected banks in the EU regardless of whether they are within the Euro Area or outside. Crisis management would thus be most efficient in dealing with all member states of the Union, not only those of Euro countries. However, some member states, such as the UK, are reluctant to transfer any power to a monitoring authority, or to be subject to a common resolution mechanism. They have not transferred national sovereignty in the currency area and are thus not willing to do so in their national financial sector. The second area of split opinion is on the kind of banks that will be subject to the monitoring and supervision. Germany for example does not appreciate the fact that their cooperative banks (*Genossenschaftsbanken*) should be governed by a European authority, because they are not part of the risk taking banks, are controlling the peoples' money in a steady manner and should thus not be put on equal footing with risk-taking cross-border banks (Stolz & Wedow, 2011). The main contention on the proposal is thus on the scope and inclusion of states or banks and the roles played be EU or national actors in executing control over the financial sector.

As already mentioned above, the essence of Banking Union is the interconnection of the supervisory authority and crisis management mechanism. The steps that have to be taken in the decision making process and with its implementation can be considered the same as the minimalist to maximalist variants of what Banking Union must entail.[5] The scope of Banking Union in its steps is framed in the following:

> The supervisory authority must be placed at the center of Banking Union as without it none of the other aspect can function fully, and states have already voiced that they will not grant any financial funds to banks without it. Thus the minimalist form of Banking Union would be the EU level supervisor that would monitor banks, and, as stated by various states, would grant them access to ESM resources from which they could be recapitalized directly (Véron, 2012). A more developed Banking Union, or the second development step, would then entail common guidelines to bank governance, outlined by the EBA, such as "a European banking charter, resolution authority and federal deposit insurance" (Véron, 2012). Developing from these guidelines could then be a crisis resolution system, meaning bankruptcy and recapitalization approaches for failing banks, and rules on when a bank will be subject to recapitalization or not. The fourth step which almost concludes Banking Union as it is outlined currently by the Commission would be the banking resolution fund, which lifts the burden to bail out banks from tax payers and creates a fund derived from national institutions. While this incorporates the different aspects of the proposal, Banking Union would still not be maximized in this design. Only the application scope to all banks and not just several European cross-border institutions, and the inclusion of all EU members rather than only the Eurozone countries could maximize Banking Union.

This conceptualization will be used for the purpose of this paper, knowing that others might include more points to the idea of a Banking Union. Since the above points are perceived as the core by scholars (Begg, 2009; Dabrowski, 2010; Pisani-Ferry et al., 2012; Spendzharova, 2012; Véron, 2012), the focus will lie on the them for now. It can also be argued that a solution as outlined in the proposal might not be the best one, or the consequences that are hoped to be achieved through the introduction of Banking Union will not come into effect. However, in studying various articles by different scholars (Begg, 2009; Dabrowski, 2010; Pisani-Ferry et al., 2012; Spendzharova, 2012; Véron, 2012), the Banking Union regime seems to be a plausible solution to the crisis and will thus be used for this research.

International Interests

Neofunctionalism argues that it is the supranational dynamics that drive European integration and that member states will go along with deepening their ties even when they are reluctant to give up more sovereignty. This means, that the demand for integration by the European actors and

[5] See Appendix Table 1

institutions and other international actors is met by a supply of integration from the member stats, regardless of national interests. Accordingly, it was the European Commission, and especially the Directorate General for Economics and Financial Affairs, that proposed the Banking Union, arguing that “simple coordination is no longer enough – closer supervision and integration is now needed at EU level to avoid future banking crises, restore confidence in the financial system and protect savers“ (European Commission, 2012c). The interest behind the European approach lies especially in safeguarding the European Single Market which could be endangered through protective measures from the member states. Considering the economic nationalism assumption in which member states safeguard their domestic economy and banking sector and thus jeopardize European integration the only alternative preventing these national actions would be an integrated EU solution, that secures the vital interests of the states while protecting cross-border banking and investments and thus the single market. A common rulebook for financial activities as well as supervision by the ECB would help decreasing the sensitivity of the Eurozone. Besides the proposal on the Banking Union, the European institutions push for various mechanisms connected to monetary union and have also asked a “gang of four“ to draft a proposal on deepening the fiscal policies within the EU to the point of a fiscal union[6]. Working on this proposal are the presidents of the ECB and European Council, the Commission, and the Eurogroup, made up of the Euro-countries’ finance ministers (Elliott et al., 2012). Commission President Barroso stated that “we need a deep and genuine Economic and Monetary Union in order to overcome the crisis of confidence that is hurting our economies and our citizens’ livelihoods“ (European Commission, 2012b). This could, to some extent, be counted as economic nationalism on a European stage in which the EU protects its internal market against outside actors.

Besides the positive attitude of the European institutions, many other international actors have voiced their opinion on the Banking Union idea. The IMF supports the proposal and sees it as the key to the new design of the Eurozone in order to overcome the current crisis, be better prepared for a similar occasion or even able to prevent it (Wood & Rowley, 2012). The June 2012 G20 summit in Mexico clarified the opinion of many world leaders on the future of the Eurozone. The Banking Union was discussed in detail at the summit, something that has not happened before with EU internal issues. The decision by European leaders to further integrate their banking system was welcomed at the summit, and pressure towards a quick solution was issued by the G20 leaders. It was Commission President Barroso that criticized this additional pressure and declared that the EU would come to an acceptable agreement within its time (Wroughton & Baker, 2012). Further, US President Barack Obama promotes a Banking Union approach and urges the EU to act speedily. In a meeting with German Chancellor Merkel he asked for German commitment to the proposal and encouraged her to strive for a quick solution (Wroughton & Baker, 2012). The stability

[6] As noted above, fiscal union is a part of the Banking Union proposal which is especially concerned with common financial means and securities.

of the Eurozone and the Euro as currency is crucial for the performance of the world economy and to foreign investments. Therefore, it is logical that world leaders and international bodies call for a solution that could sustain stability. Considering that the member states rely individually as well as collectively on global trade, they have an interest in soothing their trading partners and relevant global institutions.

Also individual actors on the transnational scale have voiced opinions and argued for Banking Union. Many of the large cross-border banks have encouraged the EU approach openly, however, in the course of this paper they will be used as indicators for national opinion seeking, and are thus outlined in the following section. The neofunctionalist argument leads to the predominance of international and European interests and their sought for integration over national concerns, and thus assumes that Banking Union would be achieved as a result of these positive pressures. However, whether the supranational integration dynamic will prevail over the national, is left to be seen.

Domestic Interests

Following the argumentation of Andrew Moravcsik and the liberal intergovernmentalist school of thought it must be the national interests that determine how member states will react to the EU's Banking Union proposal and decide wether integration will be supplied or not. Having established that several international actors view the solution as favorable, we are left to see what member states think, as they will be the ones directly deciding on the proposal. However, establishing national opinion is not easily done. Various domestic actors are lobbying the government and political parties are representing certain groups of the population and often have close ties to economic actors. The domestic interests will thus be split into economic and political considerations which together will define the position of the nation state.

Economic Considerations

The logic of economics and lobbyism tells us that actors of the domestic sector, as well as international and transnational actors will try to influence government and state behavior according to their interests. On the Banking Union proposal especially banking actors will have a say, meaning individual domestic banks, banking associations as well as the national central banks. National banks are a main source of national government's budget; a considerably large part of banking activity is devoted to government bonds of the own national government as well as other foreign governments. The ECB calculated the collective government bonds of Euro-Banks to 1.6 trillion euro in 2012 (Kaiser, 2012). It is thus not surprising that banks have a great say in the solution politicians are seeking in the crisis, for governments must fear a lack of money supply if their policies went against national banks.

The most visible change a Banking Union would inflict on national banks is them being subject to the European supervisory authority and that banking bail out would no longer be decided by the nation state. Lobbying national governments would thus no longer be of any help to failing banks and bankruptcy would probably become more frequent. While national central banks are mostly considered with the stability of the sector, commercial and cooperative banks would be influenced by the EU policy. Astonishingly, the banks of the three considered member states are generally in favor of Banking Union. In France the largest banks support the proposal and call for an immediate implementation as a crisis response. Their main concerns are firstly that the EU is aiming at an extensive proposal requiring a prolonged discussion between the member states and the EU institutions, thus failing to act according to crisis needs (BNP Paribas, 2012) and secondly that the banking sector will further be fragmented if only a number of banks were placed under the newly created authority (Jones, 2012). This fragmentation debate is especially heated in Germany, where opinions differ between large banks on the one hand and cooperative banks on the other. Commerzbank Germany, a representative of the largest banks in Germany, declared Banking Union to be a logical consequence from the single European market (Taylor & Gould, 2012), a view shared by several lenders in Germany as well as many other member states. Representatives of German cooperative banks, those responsible for the main lending to small- and mid-sized companies, believe that Banking Union does not need to entail a European authority, and that a differentiation between banks should be made possible. The VöB (Bundesverband Öffentlicher Banken Deutschlands), an association of German public banks, reflects this reluctance towards uniform rules and control over all banks and is heavily represented in Berlin to see this position represented in German politics (Bundesverband Öffentlicher Banken Deutschlands, 2012). Increasing support for "keeping savings and cooperative lenders outside an Europe-wide union" (Weisbach, 2012) is not only found in Germany, but also across various other member states. Germany, the Netherlands, Luxembourg and Finland have already made proposals into that direction. Larger German banks fear the exemptions to the Banking Union proposed in Germany will lead various other member states to propose similar measures, thus undermining the power such a union should have and creating unfavorable advantages in competition between banks (Taylor & Gould, 2012). Generally the split in bank opinion seems to go between universal banks which are engaged in more dangerous activities and other bank models which are not. While the UK is generally skeptic towards integration in the monetary field and wants to preserve its independence with all means, London is the financial heart of Europe and thus observes the development of a Banking Union with great interest. British banks are, unlike their government, quite considerate of the proposal. This can be explained by the their engagement in international affairs which is not as extended as that of other European banks; Barclays, HBOS, HSBC, Lloyds TSB, RBS and Standard Chartered have "not expanded much on the (European) continent" and are thus likely to be less affected by regulation on European cross-border banks than other European institutes (Véron, 2008, p.51). The British Bankers Association (BBA) welcomes the

Commission's attempt of reform and regards it as essential that the UK is playing its role in shaping the legislation. If the UK was sidelined in this, then regulations would apply to the financial center of Europe that were not drafted by the UK (Browne, 2012).

Even though deprived of most of their authority and autonomy through the creation of EMU in 1992, national central banks continued to overlook the national banking system and can thus be heard on the Banking Union plans. The governor of the French Central Bank, Chrisitan Noyer, stated in October 2012 that "Banking Union was essential to break the link between bank and sovereign debt that many see at the heart of the Eurozone crisis" (Wood & Rowley, 2012, p.1). He further stated his confidence in European policy makers to create a framework until the end of the year. In contrast hereto, the UK declared that they would not agree to transfer supervision to the ECB, as Financial Service Authority Chair Turner states (Moshinsky, 2012). This is not substantially unanticipated, as the UK already refrained from the common currency and governance mechanisms related to it and is seeking alternatives to a European approach, as explained below.

The German Bundesbank lies somewhere in between the positions of the other central banks; it acknowledges the need for a fiscal union and closer integration in the field (Evans-Pritchard, 2012) but wants it to be incorporated in the European treaties to be fully effective and is rather reluctant to accept the Banking Union proposal as it is. They see "the progressive blurring of boundaries between monetary and fiscal policy" without a clear treaty as dangerous and counterproductive to the crisis resolution (Ewing, 2012).

Economic nationalism claims that national means are placed above European, in that member states do what is best for their economy and national champions. For the UK the main concern is sustaining independence in monetary affairs without being marginalized in the EU. The UK has concentrated its economic interests on their exemplary region of London as a national champion. The London financial sector and market is the largest in Europe and directly competing with the Wallstreet in the US. It is this competition that makes the UK reluctant to accept regulation on the financial service industry, and especially the EU is seen as an advocate and promoter of these (Morgan, 2012, p.382). The UK government does thus accept EU legislation only in a scope that does not endanger the financial center of London. The financial crisis has changed this only to a certain extent: The need for more regulation was recognized and implemented by the UK government in response, however, EU regulations are still viewed suspiciously and will only be accepted as far as they do not "undermine the competitive advantage" (Morgan, 2012, p.383). The UK even announced together with the US that they found a cooperation agreement on resolution packages, which will make banking less risky and supply measures for crisis events. Since both UK and US agreed to this, competition between their stock markets is not endangered and a security measure in banking is taken, however, the EU is bypassed and the other EU states are left only with the chance of an opt-in (Bank of England, 2012). This is clearly an example of UK national interests which are placed over collective European interests, even with the risk of inefficient legislation that could result from too many distinct rules, as Tony Anderson, a banking expert from Pinsent Masons puts it (Out-Law.com, 10. Dec, 2012).

Considering France and Germany, they have both been less nationalistic in financial affairs than the UK, which is notable in their commitment to EMU and Euro, as well as reflected in the number and size of their cross-border banks (Véron, 2008). Nonetheless, especially Germany is considered to be protective of their financial system and the banks involved in it, especially the cooperative and small lending banks engaged with the middle class of society (Mittelstand) (K.-P. Flosbach & M. Meister, 2012). It is questionable whether the fragmented sector in Germany could remain unchanged when placed under EU supervision and rules, which encourages the German government to limit the Banking Union to specific banks. But even larger bank are being protected when in critical positions, such as the Commerzbank, one of the largest German banks, which became partly state-owned resulting from heavy losses in the financial crisis (New York Times, 2012). The national involvement protected the institute from foreign takeover. For France the decisions on a European approach in crisis resolution are also motivated by the best approach, however, it has to be recognized that the French financial system is at great risk and a national solution is likely not to be successful or most efficient (Thomas, 2012). It is thus a trade-off between national autonomy and economic well-being at the expense of autonomy.

The domestic economic interests above can be summarized in the following: banks in the different member states are mostly supportive of the EU proposal, apart from German cooperative banks. The degree to which this will be considered in the political will of the states does additionally depend on the degree of economic nationalism that exists in the country and the economic benefit calculations. The political interests must thus be evaluated before forming a country opinion.

Political Considerations

Next to the economic considerations, the political parties and the citizens of a state have certain ideas of policy and authority transfers that have to be taken into account for the decision making on the proposal and the resulting supply of integration. Assuming that it lies in the interest of every political party to be reelected, public opinion serves as a good indicator of a country's position, as voters will punish parties that go against public opinion. Furthermore, party interests as laid out in the party manifestos are combined with relevant lobbying groups to form a political position in a country. Especially the governing parties must be considered, but since a proposal decision is a lengthy process and elections in Germany will be held in 2013, also major opposition parties must be respected.

In establishing a profile of public opinion in the selected countries, the most recent Eurobarometer survey (2012) is used and the responses are compared to those of 2008 to catch a trend in light of the recent financial crisis. In all three countries the belief that the EU is moving in the wrong direction increased from around 30% in 2008 to around 50% in Germany and France, and even to

68% in the UK (European Commission, 2012f, p.T44). In contrast, the trust in the national government rose and people are more confident with national approaches in governance. Even more alarming are the responses to a question asking how well national interests of the respective country are considered by the EU. In both Germany and France the level for well consideration dropped around 20% (from 80% in 2008 to only around 60% in 2012), while for the UK the drop from 52% in 2008 to now only 27% is even more drastic (European Commission, 2008; 2012f, p.T178). The picture drawn from this shows that the deeper integration going on in the past decades did not yet manage to earn the trust of the citizens who in times of distress tend to lose trust in the EU rather than gain any. It is questionable now whether this accounts also for crisis resolution measures or if citizens do trust the EU with an integrated approach.

When asked about which institution is most capable in dealing with the crisis, the national governments and EU are almost equally supported in both Germany and France. Only the UK shows a more euroskeptic attitude and trusts the national government with 22% more than the EU (European Commission, 2012f, p.T126). Likewise, close coordination of economic and financial policies are widely supported in all member states, while again the UK is slightly more skeptical than France and Germany. In transferring regulation and supervision of financial affairs to the EU, France is most supportive with 78%, Germany following closely with 72% and the UK with 59% (European Commission, 2012f, p.T142). Considering these numbers it can be stated that citizens in all three countries are looking reasonably positive towards a European solution, but are skeptical of extending the EU's power over national responsibilities.

When connecting this to the public protests against austerity policies of the recent months across Europe, we find that it is not against a European approach that the public is revolting. On banners shown in Greece, Spain, Portugal or many other countries it is Angela Merkel, the German Chancellor, that is blamed for the austerity measures that are inflicted on struggling member states (Wittrock, 2012). While individual voices surely blame the EU, the consensus is that EU measures would be promising in dealing with the crisis, however, momentarily people feel like it is Germany that defines the measures rather than a collective European decision. This is similar to the respondents that belief their countries interests are not well considered at the European level.

Contrary to the public, political parties can be expected to have more insight into the topic and will thus base their decision upon in depth analysis of likely consequences, as well as considering different stakeholder and interest groups. The British case makes this difficulty apparent in that the euroskeptic public opinion is hardly reconciled with economic interests that require the European single market. David Cameron, the British Prime Minister faces this tragedy when meeting with his European counterparts; he constantly has to consider the trade-off between European integration and British isolationism. As a conservative he represents a rather euroskeptic view, praising the EU for its integration, but denying any more competences to be transferred to the EU. The

Conservatives do consider a European solution to the crisis, however, they are highly skeptical and fear ill-considered regulation (Conservatives, 2009, 2012). Additionally, the base of the Conservative Party is split and many are concerned with the approach Cameron might choose: "The Government has assured us that Britain will not be dragged into the Eurozone's economic arrangements. These proposals show that the government's policy has been a catastrophic failure" (Waterfield, 2012). The other large British parties of the parliament have rather different views on the EU. The Liberal Democrats are positive in that they see the benefits the EU has brought to the UK until now, and that this work can only be continued with a full-hearted engagement of the UK (Liberal Democrats, 2012). The Labour Party, which formerly set the prime minister, is also supportive of the EU and encourages European approaches and an active role of the British in shaping policy outcomes. In accordance with public opinion they would cast a referendum on critical decisions, like the acceptance of the Euro as a common currency (Traynor & Wintour, 2012). The UK Independence Party on the other side of the spectrum demonstrates benefits the UK would gain by withdrawing from the Union and questions its legitimacy through the lack of referenda on British membership (UKIP, 2010). The government position resulting from this is obviously split. The danger the UK is facing is that decisions in the EU are taken without them while applying to the British financial sector through the common market. It is thus on the government to find a way to balance the needs of economic actors and EU integration against public and government opinions and isolationism.

The German political parties are generally more positive towards the EU and common solutions to the crisis. Nonetheless, they state that the EU cannot replace the member state and the core areas of its responsibilities. It is these responsibilities that drive a wedge between the different parties. The Christian Democrats and their sister party from the Christian Social Union, together the largest party in the current government also setting the Chancellor, are generally considerate of the Banking Union proposal, recognize, however, certain risks in the establishment. They emphasize the importance of the subsidiarity principle also in the banking sector, one of the foundations of the EU which allows the lowest possible level of regulation and supervision. Only system-relevant banks are thus advocated to fall under the European authority, leaving the German cooperative banks to national jurisdiction (K.-P. Flosbach & D. M. Meister, 2012). The coalition partner of the Christian Democrats, the Free Democratic Party, considers market regulation as a central area of concern. They argue that it is especially state involvement that leads to a crisis and that markets are generally capable of regulating themselves. If the state intervenes this must be very carefully evaluated and considered. The Banking Union is considered by them as a hasty approach that would result in a “debt union” in which Germany has to pay for the debts of others (Free Democratic Party, 2012). Both parties agree that the proposal must be well considered and that quality goes above quantity of regulations. They stated that the outlined timeframe by the Commission is not likely to be kept, as too many points are left to be clarified. The second largest party, and biggest opposition actor, is the Social Democratic Party. In light of the elections in 2013 they have a reasonably good chance of coming back into power, possibly only in a grand coalition with Merkel's party. The main difference in their view on the proposal is that they are against bailing out banks and want that power to remain in national hands (Anger, 2012). This does limit the power of the European authority which does monitor national banks but cannot provide means for them. Further, the party sees the EU treaties as not able to be bypassed and encourage changes in the treaties rather than simply adding legislation in a grey-zone of legitimacy; this is not so far off from the other political parties in government. Thus, regardless of a change in the government next year, Germany's course of action can be expected to remain pro-European and the proposal will be adapted only slightly by the respective parties.

The main political parties in France, that is the Socialist Party of President Hollande, and the party of the former President Sarkozy, the Union for a Popular Movement, are greatly favoring the Banking Union proposal of the Commission. Their main goal is the fast implementation of an overseeing authority, followed by recapitalization means for failing banks to break the link between banking debt and sovereign debt (Parti Socialiste, 2012; UMP, 2012). It is crucial that they want to defend the Union budget, and thus clearly indicate the need for new financial assets provided by the states. Alone the right winged Front National party led by Le Pen has a definite euroskeptic view on the EU and the crisis and believes the opportunity for national actions should not be bypassed. The general picture in France is thus closely related to the Commission proposal, without outlining essential concerns.

Remaining control in national hands is underlying all political decisions, meaning that states remain their tools to influence European decisions and block them if necessary. Here the idea of setting the ECB up as the main body of decision-making on the bankruptcy of national institutes is crucial, as the ECB does not have to answer to national parliaments who thus lose any control on the topic (Hulverscheidt, 2013). Since all political actors tend to extend their power rather than limiting it, this step will be carefully reconsidered by political parties.

All of the above mentioned actors have interests in shaping the Banking Union proposal or favoring and hindering its introduction. This is what will decide on the supply of integration possibilities as demanded by the European institutions. In summarizing national opinions and considering the degree of their influence on the decision, the following section establishes a country profile with a special emphasis placed on the economic and political interests behind the national opinions.

Country Positions

The underlying interests of the states are formed through bringing together the actors and interests above. It has to be considered that they do not equally affect the national opinion, as for example public opinion cannot be set equal with the implications the banking lobby has. The various factors

will thus be judged and combined to establish the national opinion. The interests that form the basis of these opinions will be highlighted in that they are the makers or breakers of the proposal. For example, the UK's interest in its national currency and reluctance to be involved in the common currency is the foundation for its hesitation towards a European supervisory authority. For Germany these are considerably different, while France again serves its own domestic interests.
The following will thus provide an account of the national opinions and interests, allowing in the successive section to analyze the making and deciding of the proposal in light of country profiles, and concluding on the given countries favoring or hindering the EU approach.

United Kingdom

In the UK the political and economic factors are split. Public opinion is skeptical towards the EU, and while it believes in an integrated approach it is reluctant to transfer competencies to the supranational level. The political parties mostly approve of the EU but do not encourage further deepening of integration. Along with their people they are reluctant to give up any more power, and if it comes to it, prefer a referendum to protect their party from the voters. State interference is seen as an exception to the rule in Britain, and even though the crisis has slightly changed this belief and the government has become more interventionist, exposing the market to regulations from the EU is not desired. It is the banks within the UK that provide a different view on the proposal. They argue that Banking Union is likely to be established with or without UK approval (Brinded, 2012); but in the latter case British banks would be subjects to the European rules because they are actors in the European single market. This is similar to the US which wants all banks, also branches of European banks, to increase their capital stocks for security reasons (Steingart, 2012a). Without EU involvement this rule was passed, but European banks are affected by it nonetheless. This is exactly the fear of British banks: They would be subject to EU regulations although the UK government failed to represent their interests in the decision making process.
For the British government the decision on Banking Union is a decision on autonomy with the risk of isolation and on financing other European countries in need. The British currency has been untouched for years and the people and political parties mostly agree in its value to the nation. The Euro is not seen as an adequate substitute for the British Pound, and the UK has clearly expressed that they do not want a common currency or be part of the bail outs that are occurring presently (Waterfield, 2012). The proposal on Banking Union thus endangers them being "dragged" into European affairs they do not want to be part of. However, national banks have depicted the consequences of remaining autonomous in all financial matters. The close ties between the Euro countries endanger the UK to be outvoted on every following proposal, therefore it should be their priority to remain at the heart of European affairs, especially when the single market is concerned (Peterson, 2012).

Referring to the scope of Banking Union that could be achieved with British approval, the outlook is rather limited. Considering the pressure British banks are placing on their government it can be expected that the UK will not sustain from all decisions, but they are likely to stay out as much as possible. This means, that on the first stage of Banking Union, namely the single supervisory mechanisms the UK is reluctant to join and transfer power to an EU institution. Since other non-Eurozone countries are likely to align with this position they are in a strong stance to block the decisions. Therefore, it can be expected that an opt-in possibility will be found for these countries, offering a way to influence the decisions while not being fully governed by EU decisions in the field. The same is likely to happen in the case of the second and third step which are concerned with common rules and guidelines. The possibility of opt-ins serves the UK in their autonomy while allowing banks to be subject to the same rules as other European banks, if they wish to be. Only step four, the Banking resolution fund, seems to be a deal breaker for the UK. This step clearly violates their independence in monetary affairs and drags them into the center of the financial crisis: the bail outs. The clear stance of UK actors and parties to remain isolated from this will prevent them from joining this more advance step on Banking Union. Therefore, the maximalist step of Banking Union is unlikely to be reached, as it requires all banks and all member states to take part in it.

<u>Germany</u>

In Germany the situation is slightly different. Public opinion is mostly supportive of an integrated EU crisis resolution and political parties are promoters of European integration. Regardless of the parties in government the German course of action is not likely to change much since opinions are similar and only slight changes would be made by any party. It is the banking sector that is split in opinions on the proposal. While smaller banks and cooperative banks believe they should not be governed by the same rules as large cross-border banks, larger banks argue that divergence in rules encourages further exemptions which leads to an ineffective approach (Deutsche Bank, 2012; Taylor & Gould, 2012). Germany's opinion is thus positive, with minor drawbacks on specific points of the proposal.

Especially three points are essential to German national interests: the application scope of Banking Union, the ECB's new role and the decision making and the distribution of resources on an EU level. The application scope for Germany should distinguish between system relevant cross-border banks and smaller cooperative and saving banks that act on a domestic market. The banking sector in Germany is more fragmented than in any other EU country, accounting for many small banks (roughly 1,900) and around 50 per cent of all banks acting in a non-profit orientation (Deutsche Bank, 2012). The argument of the small banks that EU supervision over them is ineffective and against the principle of subsidiarity is taken up by politics and presented as a main argument in the proposal negotiation. It is the protection of the domestic banking sector that lies

behind this reasoning, aiming for a “regime of supervision which would leave authority to supervise small banks exclusively in national hands” (Deutsche Bank, 2012). German finance minister Schäuble has outlined a possible compromise in which the ECB would overlook German governance and get the final say, however, it is expected that the second chamber representing the German Länder (states) are more reluctant to give up national control over well-functioning small scale banks in reference to the principle of subsidiarity, which would allow the smallest possible governance actor to control banks (Compliance Magazin, 2012). The second chamber agrees that system relevant banks are better governed by the EU or an overlooking authority, smaller institutes, however, shall remain in national or sub-national control. The second point, the management on funds on a European level also goes against German interests. Recognizing the need of a European authority to have sufficient means, including financial means to act, the German government nonetheless argues that resolution funds should remain in national hand. The underlying interest in this is that financial safeguards are protected and Banking Union cannot be misused by indebted countries to receive German savings without national approval (Deutsche Bank, 2012). Thirdly, Banking Union would grant additional powers to the ECB, which are beyond its scope until now. Germany alongside with Finland, Luxembourg and the Netherlands wants a clear separation of monetary policies and supervisory authority, as to protect the independence of the institution. This is reflected in their argument that the ECB should have authority, in practice it should however be exercised through national institutions (O‘Donnell, 2012). Furthermore, the supervisory board in the ECB should, according to Germany, not vote on a one-country-one-vote rule, but rather be weighed, giving more powers to larger and financially stronger member states, which could best be achieved through treaty changes (Deutsche Bank, 2012; O‘Donnell, 2012).
All three of these concerns aim to protect the national banking sector from unwanted interference by a non-national authority and to protect the financial assets of Germany that could with Banking Union be more easily used to finance other European banks without special approval from the German parliament. The proposition of treaty changes and a more detailed set of rules and guidelines for the ECB can thus be explained as delaying tactics. The hope that the financial crisis will be proximately resolved in the coming year, or that at least most banking actors will have stabilized themselves, so that less of German financial safeguards will be required, is essential to German interests.
In coming back to the scope of Banking Union it can thus assumed that Germany will go along the various steps, however, it will have a clear stance on specific details that need to be included before a final decision can be taken. Considering the supervisory mechanism, Germany does not hinder the idea but will draw attention to the rights of the ECB and their governance approach, in order to separate their monetary and fiscal tasks and further to ensure member state influence in the institution. Likewise, on the second step of Banking Union Germany will pressure on the application scope of the common rules to commensurate with national interests. The resolution

fund under step three will also be crucial in the decision making, as any political party would lose their face in public when agreeing to open German funding without additional state approval. Again, the details on the resolution fund are likely to be changed in a manner that allows the political parties involved to remain integer with their voters. Therefore, while Germany can be assumed to agree on Banking Union in general, it seems unlikely that Germany will support Banking Union to its maximalist scope.

France

The French actors are throughout very positive of the Commission proposal. The central bank and national banks consider a European Banking Union as a measure to stabilize the European financial sector and thus restore trust in the Eurozone (BNP Paribas, 2012; Jones, 2012). The French public believes in the EU and integrated measures to be effective in dealing with the crisis, and the political parties support this view widely (European Commission, 2012f; Parti Socialiste, 2012). Encouragement for a prompt implementation of the proposal is large, regarding all aspect of it. France is thus calling for a Banking Union to all banks, with supervisory authority in the hands of European institutions, which also have resolution funds available for the controlled rescue of European banks.

The driving forces behind the countries' positions is perhaps easiest established for France: "They bloody well know they're next in line. They're after Italy", said Nicholas Spiro, head of Spiro Sovereign Strategy consultancy (Thomas, 2012). France lost its AAA credit rating[7] in 2012 which should not have been a surprise; the poor performance of the French economy, the high entanglement with Greek banks and bonds and the failure of an effective European crisis solution have forced its victim (Klossa, 2012). France thus sets it efforts on mutualizing risks and the creation of resolution measures that could assist the country when the crisis hits with full force. Likewise, the Italian and Portuguese governments are looking at the Banking Union as protective measures to their states, and are highly in favor.

For the Banking Union scope this generally leads to the assumption that France will agree to all points and most alterations that are proposed by other countries, as long as they do not diverge from the original proposal by much. Since France is not in the best bargaining position when the financial policy field is concerned, it is unlikely that they will succeed in pressuring other states into agreeing on the proposal as it is now. When only France is concerned Banking Union is likely to result in the maximalist scope, however, the above has shown that the other countries investigated will most likely not allow for that to happen. It is thus obvious that bargaining will be responsible for the final outcome and for this the strength of the individual countries or country groupings needs to be assessed.

[7] Standard and Poor's as well as Moody's downgraded France in 2012.

Country Groupings

The three selected countries provide the opportunity to establish inferences on other European countries and their positions on the proposal. The different financial and debt backgrounds of the nation states as well as the engagement in the Eurozone and EMU provide different starting positions in the negotiation process. Germany resembles one of the greatest creditor states of the Union, along with the Scandinavian countries, the Netherlands and Luxembourg (Deutsche Bank, 2012). They are clearly more concerned with the provision and management of funds and the protection of national banking actors, as they could possibly handle the crisis with national measures. France, and along with it Italy, Portugal and the already high indebted Greece and Spain are on the opposite side of the spectrum, aiming for a European authority that would provide increased security to the nation state and possible resolution measures and funds that can be accrued from the EU. The UK is an interesting case and represents the non-Euro countries to some extent, in that it has to fear becoming subject to agreed policies for European banks without the ability to interfere much. Especially the role of the ECB is crucial in this as the non-Euro countries are not represented in the Governing Council of the institution and would thus lack the opportunity of interference with the newly created tasks of the ECB. Expectantly, they would like to extend the role of the EBA in the supervision of banks, as their influence in this institution is greater. These groupings give additional strength to the creditor countries in the negotiation process, and also increase the position of the non-Euro countries that could veto the decisions if necessary.

We can now evaluate the making of the proposal and the discussion and decision making process according to the hypotheses derived from the theories. Keeping the above country division along the creditor/debtor and Euro/non-Euro countries in mind, we can then aim to predict the further negotiation outcomes.

Data Analysis

After having established country opinions and common positions of member states according to financial means or Euro membership, we can now begin to evaluate the proposal making and decision making process of Banking Union. Since the proposal issuing by the Commission in September 2012 not much progress can be reported. Notably, intergovernmental bargaining is rather lengthy, which unfortunately did not change with the crisis. The target set by the Commission to find agreement at the end of 2012 seemed unlikely to be met only weeks before the beginning of 2013, however, the summit on December 13th finally changed this. The European supervisory authority as part of the single supervisory mechanism was agreed to be established as a branch of ECB. It will have oversight of Eurozone banks, meaning institutes with a balance sheet total over 30 billion euros, or more than twenty percent of the economic performance of their home country. “Significantly, loads of French banks will be supervised by the ECB, but few German

banks“ (because its banking industry is more fragmented) (Peston, 13.12.2012). The smaller banks not subject to this will continually be monitored by national supervisors, however, when troubles are indicated this power will shift to the ECB, giving it effective crisis jurisdiction over all Eurozone banks. The independence of the ECB shall be guaranteed through a supervisory board that will have the final say as to prevent conflicts of interests in the executive board and governing council of the institution (Council of the European Union, 2012). Concerning the application scope to non-Euro countries it was agreed that close cooperation agreements could be signed which would result in full and equal voting rights for the member states (Council of the European Union, 2012, p.2). It is the implementation framework that is most divergent from the Commission proposal, naming it to be either March 2014, or twelve months after the effective implementation of legislation. The EBA is assigned with tasks of “developing the single rule book and ensuring convergence and consistency in supervisory practice” (Council of the European Union, 2012, p.2).
While this is far from having realized the full Banking Union as it was outlined in the minimal to maximalist conceptualization, it has established the first and to some extent also the second step. With the supervisory authority in place banks can apply to finances from the ESM and with common rules established by the EBA equality and coherence in the European banking sector can be achieved. The analysis will now look on the theories and evaluate which of them explains the process best, coming back to the idea of supply and demand for integration, followed by a chapter giving an outlook on how strongly the EU moves towards the maximalist variant of Banking Union.

Neofunctionalist explanations

With neofunctionalism placing the emphasis on the European institutions and international actors, or the demand of integration, the analysis will begin with their influence. For the European Commission the financial crisis has been a good time to propose deeper integration in the financial sector, as the pitfalls of the present framework became exposed. The financial integration that had been reached until the beginning of the crisis in 2008 is an essential part of the single market in the EU, and the Commission, as safeguard of European integration, has a high interest in preventing any harm to the established frameworks and treaties. The evolvement of national bail out plans and crisis resolution policies and mechanisms puts this integration at risk (Rottier & Véron, 2010, p.4). The Commission thus takes measures against economic nationalism in the member states and establishes an approach towards deeper integration.
The ECB was also actively involved in dealing with the crisis, however, most of its efforts were responsive rather than preventive. Nonetheless, it revised the stress test for banks, changed rules on bank collaterals, and noted that without a European supervisory authority measures taken on rules could not be enforced properly. Accordingly, the finance ministers of the member states recognized the need for action and “agreed to create three new European authorities to supervise

banking, insurance and securities markets: the European Banking Authority; the European Insurance and Occupation Pensions Authority; the European Securities and Markets Authority" [8].

Clear incentives were found by the European institutions to propose and pursue a European crisis solution, while member states were engaging in the restriction of national policies. Within the Commission it was the Directorate General (DG) for Internal Market and Services that created the proposal on Banking Union. The drafting was preceded by numerous individual policies concerning the governance of financial markets and crisis measures. The combination of these into one framework is considered essential by the Commission for the well functioning of the measures. In the proposal creation the Commission has more than once consulted a number of national actors on their opinions in order to draft a proposal that could be passed with member state support. Consultations were among others passed to national authorities involved in crisis management, the financial industry and its customers, creditors, shareholders and employees, as well as to trade associations, academics and citizens (European Commission, 2012e). The result of this involvement was the drafting of the Banking Union proposal which was then passed on to Council and Parliament in early September. The demand for integration by the European actors and several international and transnational actors was thus put into writing and passed on to the supplier of integration. The pressing interest of the Commission is especially the timeframe in which the proposal should be passed so that the necessary changes can soon be implemented and authorities and rules can be established. As outlined above, the timeframe is not in every member states' interest. Nonetheless, the first step of Banking Union was agreed upon in 2012, and while implementation will not be achieved in the timeframe, at least the foundations for Banking Union were laid during this period.

The first hypothesis (H1) thus seems to be verified in that the insistence of the European institutions, and some supportive member states, to deal with the proposal in a prompt measure succeeds over the reluctance to do so in some member states. However, the involvement of private actors, such as national banks cannot be denied, as part of this success can be accounted to their lobbying. Regardless of the outcome of the proposal it can therefore be stated that the neofunctionalist theory is correct in emphasizing the role the supranational institutions play in encouraging deeper integration, together with the encouragement of private national actors. More evidence for this hypothesis can be found in analyzing the German position on bail outs from ESM resources. Already in June 2012 the German Chancellor has agreed to support the bank bailout from ESM resources if, and only if, a European supervisory authority was installed (Spiegel, 29.06.2012). This is contrary to the German position in 2008 which clearly prohibits a common fund for banking rescues, and can thus be seen as a support of the neofunctionalist theory in which European interests are pursued even against national will. Considering the second neofunctionalist hypothesis (H2) which refers to the content of the proposal and the degree of

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[8] See the ECB timeline on the financial crisis for proposals and achievements http://www.ecb.int/ecb/html/crisis.en.html

change inflicted by the member states in the discussion rounds, only minor conclusion can be drawn. At the moment the content was not changed drastically, however, the German push for a separation of banks that fall under the European scope was granted. While the EU remains the last control instance and has the power in crisis times, it cannot be denied that a point in the proposal was pursued against the will of the institutions. How strong the content hypothesis will hold true can thus only be assessed after the discussion rounds are completed, and the inter-governmentalist claims are reviewed. The latter will be done in the following.

Intergovernmentalist explanations

While incentives for a more European approach were clearly recognized and taken by the European institutions and elites, the member states mainly relied on national crisis measures, restrictions and policies to handle domestic affairs. It soon became apparent that this might work for larger and financially and economically well-doing member states, while debtor countries got caught in the hazard of banking and sovereign debt. A European approach would entail an overlooking authority and interference in domestic affairs, however, if this provides financial means to save national banking sectors and subsequently the economy it were a relatively small price to pay. But also for the richer member states incentives did not lack, as their economic performance depends largely on the single European market and the credibility and trust in the Euro affects them as well. While they were engaged in national crisis measures they did not show reluctance to a European approach and were open to a proposal by the Commission on crisis tools.

With issuing the proposal it became apparent that regardless of the content already the implementation timeframe clashed between member states' and EU institutions' positions. Especially Germany feared that a rushed proposal would grant debtor countries access to financial means without relevant supervision and national approval. At first, Germany argued that the most effective crisis solution would require a treaty change. However, since it was aimed for a direct measure and treaty changes are an extended process, the Commission proposal was based on Article 127(6) TFEU, meaning that decisions must be taken unanimously in the Council. This article especially empowered the UK position, in that their threatening to veto a decision could halter the European approach. The following German position claimed that Banking Union could not and should not be established within the Commission target of 2012 (K.-P. Flosbach & M. Meister, 2012). While this held true for the maximalist Banking Union, at least minor progress was achieved in December 2012.

While the European institutions and various member states believed that fragmentation endangered the authority and effectiveness of the measure, Germany is especially concerned with the jurisdiction of the authority over which types of banks (Deutsche Bank, 2012) and the UK over non-Eurozone countries and institutes (Waterfield, 2012). The agreement reached declares that non-euro member states can opt-in on the single supervisory mechanism through close cooperation agreements, and that supervision is limited to larger banks and financial institutes[9]. While this directly includes around 200 banks in the European market, only around 30 German banks are affected and many of the cooperate banks in Germany are excluded in this calculation. However, they can become subject to the supervision of the ECB authority when evidence points towards internal difficulties. Véron (2012) and with him several other scholars, claim that "the exclusion of small banks is not really justifiable from a technical or analytical perspective". It was the strong German position and the wish of other actors to come to some form of agreement that included this point into the decision. For the UK the EBA involvement is essential, for it is agreed that it will be governed with a double majority voting, meaning that a majority of "Eurozone-outs" can block a proposal that the "ins" agreed on. This leaves the UK and with it the other non-Euro countries not in a marginalized position and, while ensuring their autonomy, limits the further fragmentation of the EU (Véron, 2012). Essential in the discussion is also the implementation timeframe of this agreement, which is unlike the wishes of the European institutions and countries like France, not the beginning of 2013, but rather the spring of 2014; a date well after the German national elections (Steingart, 2012b). This negotiation outcome leads to the conclusion of the intergovernmental hypotheses. The claim that it is domestic actors that shape national interests (H3) is not rejected because we see a clear representation of economic and political interest in the country positions; for Germany the banking lobby is respected and for the UK a middle course between banking and political opinion is found. Further, the neofunctionalist section above has shown that national actors tend to lobby directly for European preferences and thus influence their governments into accepting points or rushing the decision making. Considering the bargaining strength of the member states (H4) it is noted that especially Germany and the UK achieved their interests, while France compromised. It thus seems that it is especially the creditor countries and those in a good veto position that define the negotiation process. Smaller member states with lesser bargaining strength tend to tie themselves to the more powerful states or from blocking coalitions. In the Banking Union negotiation groupings of creditor versus debtor countries are found, with the clear strength being with the creditor countries (H5). But also the UK is aligned by states that are more reluctant towards the common currency and EU oversight, such as Sweden or Czech Republic.

What we do find for intergovernmentalism is thus that integration, even when promoted and driven by the EU institutions and partially against member state interests, remains ultimately dependent on the member states and their national interests. The supply of integration, as it can only be provided by the member states, does thus not necessarily meet the demand for integration by the EU institutions. However, the agreement of national actors with demand for integration is inevitably helpful as they can shape national opinion. If state interests are generally in line with the proposal

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[9] The term large bank in this context refers to institutes with a balance sheet total over 30 billion euros or more than 20 per cent of the economic performance of their home country.

made by the EU the negotiation process is likely not to result in many alterations. However, when essential state interests are touched or national champions endangered, the states can be expected to veto the process where possible or require greater bargains to give in to a specific point. While the other parts of the proposal have not yet been decided on, they are likely to follow the same line of procedure. The European institutions will remain to be pressuring a decision in a timely manner, while the member states are driven by the effects of the crisis. It can hardly be denied that the crisis is a good catalyst for decisions, for the numerous meetings of the finance ministers and heads of states are called especially for crisis responses.

Both integration theories are thus able to explain parts of the development process; while the neofunctionalist account of supranational influence especially holds true for the proposal's creation and progress encouragement, intergovernmentalism explains the concrete decision making better. The strength of intergovernmentalism to change the proposal content depends on the bargaining strength of the member states that are favoring or hindering specific points. In the Banking Union case, the outcome of the proposal is likely to be less of what the Commission proposed because especially the positions of Germany and to some extent the UK will be considered, as they are in the strongest positions. Once the proposal is passed and the power lies with the European institutions, the ECB and EBA, it is likely that the neofunctionalist account will again be more essential and that the institutions will exercise their power and possibly extend it even against renewed member state support.

The Future of European Banking Union

It is now left to be seen what the theories imply for further decisions on the Banking Union proposal. Especially the scope on the minimalist to maximalist scale is interesting to review and compare to the member states interests. This section shall thus aim to outline the future of Banking Union in the coming years in that it tries to establish breaking points of the proposal. It must be recognized that this chapter is based on assumptions and the generalizability of the above analysis, which might be limited.

Especially the resolution mechanism and subsequent resolution fund are critical in breaking the link between bank debt and sovereign debt, and are thus necessary to break the circle between bail outs that drive nation states to the brink of bankruptcy[10]. The access to financial means within the Union has always been critical in that the solidarity between citizens is not high enough to constantly spend tax payers' money on other countries. This leads the creditor countries, which in Europe are especially the Northern countries, to limit the money supply to the EU or to ask something in return from the debtor states. What is asked in the Euro crisis is especially a tighter

[10] While the resolution fund is step four and thus already close to the maximalist spectrum of Banking Union, it can be seen as essential and helpful in the resolution of the crisis.

control on national spendings, and Germany along with Finland and the Netherlands is asking for Commission oversight over national budgets to control the member states' spendings and thus prevent a similar crisis from happening (DailyMail, 26.06.2012). Increased controls is thus what the creditor countries are asking in return for them paying to the member states at risk. The limited bargaining position of the debtor countries, as it was outlined above, is likely to result in approval for the expansion of Commission oversight, thus deepening integration in related fields.

None of the reviewed member states has yet voiced specific reluctance to the establishment of a banking resolution fund. On the scale established for the scope of Banking Union, it seems that reaching step 4[11], the completion of a banking resolution fund, is not unlikely due to the absence of clear obstacles in the member state interests. However, one reason for this might be that member states want to remain a final say in the policy field and do thus not transfer their powers to the European level completely. The maximalist component of Banking Union, which is concerned with the inclusion of all banks regardless of their size, and all EU member states regardless of Euro or non-Euro country, does seem unlikely. The German pressure to exclude smaller banks, and the UK's stance on its autonomy will prevent the full integration of Banking Union for now. Possibly a treaty change could further deepen the integration, however, this will not be achieved in the near future.

Accordingly, Banking Union is not close to being completed and the crisis not close to being solved. The supervisory authority creates the foundation for further Banking Union decisions and only with it installed can the other fields be implemented. The actual success of the supervisor remains to be seen and tested in practice, before being able to argue that it can and will prevent states to bail out banks, and change bank behavior into a more responsible manner. The lack of current funds and the refusal of Germany to allow Spanish banks to be bailed out with ESM resources are currently preventing direct crisis measures, along the ideas of the Banking Union, to be used (Peston, 13.12.2012). The crisis of the Spanish state and other debtor nations is thus not close to being resolved and a way out of sovereign debt is not provided because banks remain dependent on the state for bail outs.

What is needed for Banking Union and general crisis measures to be more responsive and effective is an extended solidarity between the member states and especially the citizens, which would allow states to openly provide assistance, especially in financial terms, to others without being punished by their own people. This could allow the richer member states to openly support the poorer in times of crisis and could move Germany to allow the resolution fund and ESM to be opened to banks rather than nation states. However, whether the proposal made by the Commission to resolve the crisis through Banking Union will be fully pursued, and once achieved would be effective depends on the negotiations between the member states, the responsiveness of the markets and the regained trust in the stability of the Euro zone. By the looks of it, it will be

[11] See Appendix Table 1

predominantly German interests, along with that of other creditor states, and to some extent the UK's interests, that will shape content and scope of the agreement. The European institutions and other international actors are left to influence countries, but are ultimately only bystanders of the bargaining process.

Conclusion

That Banking Union is likely to be achieved in some form is currently hardly denied by anyone. While the assumptions on its usefulness remain to differ, it is the drivers of the agreement that have to be observed to explain why Banking Union is possible. It has been established above that member states have different opinions on the proposal, whereas international actors and European institutions are widely in favor.

The US, G20 and IMF have all stated their endorsement of an integrated European approach to handle the crisis and restore confidence in the EU, the single market and the currency. Member states have first reacted with national measures to the crisis and have bailed out banks when necessary. While this is bearable for the richer countries, many of the debtor countries have been driven to the brink of bankruptcy and have tremendously increased national debt in bailing out banks. The implications of failing states were recognized by the EU and counteracted through various proposals and measures that have in part already been implemented. The Banking Union is one of these crisis proposals, seeking to break the link between failing banks and increasing national debt through a European supervisory authority that will be responsible for the governance of large European banks and will decide whether failing banks must be bailed out or will be left to insolvency. The supervisory authority shall be part of the ECB, provide a single rule book for the financial sector in the EU and should have access to a resolution fund. This fund should be provided by national financial institutes and be used to bail out banks without increasing national government spending. While the part on the supervisory authority has recently been agreed by the member states, the negotiation process does reflect the states' interests.

From the actor analysis above it can be concluded that the demand for integration as reflected in the Commission's proposal with its varying scope needs to be met by the supply of integration through the member states, if a decision shall be reached. However, member states have responded differently to the proposal and voiced concerns to domestic interests. While France is highly favorable towards the approach, Germany is concerned with its domestic banking sector which is fragmented and should not be completely governed by the ECB. Furthermore, Germany and with it a number of other creditor countries remain widely protective of their capital and want a resolution fund or funding through the ESM only installed when the supervisory authority is in place. The UK as a non-Euro country is mainly concerned with its independence while not being isolated and marginalized in decisions on the Banking Union.

In answering the question why a Banking Union is likely to be achieved when some member states are not in favor of the proposal, the pressures from the international community and EU institutions were reviewed with neofunctionalist hypotheses, as well as the bargaining power of the member states with liberal intergovernmentalist hypotheses. The outcome of the analysis states that neither of the theories can be denied. Especially in the drafting and scheduling of the proposal the European institutions are the driving force, additionally encouraged through international actors and interest groups. While member states can do little to limit the proposal in this time, they can actively promote it. The decision making is arguably a stage in which member states are most involved. However, it was observed that national actors successfully lobby their governments towards compromises on troublesome points, such as the Commission's timetable. The integration process thus further advanced once it was started. The member states involved in the discussions did represent the domestic interests which were found through the lobbying of specific groups and the opinion of the public and especially shaped through the elected parties. Member states then grouped according to these interests to enhance their bargaining power, while notably the largest and financially strongest member states had the best stand in the negotiation. Additional power to a specific country position can, however, also result from the international actors. France has more force behind its interests as they are shared by the EU institutions and various international actors. The decision already taken do reflect domestic interests, nonetheless, sovereignty is being transferred to the EU, even against member state wishes.

While the Banking Union as a whole has not yet been agreed upon, the first step was taken with the decision on the establishment of the supervisory authority. Influences from both neofunctionalist and liberal intergovernmentalist theories are recognizable and it can thus be concluded that it is both European institutions and international interests as well as the member states and domestic interests that drive integration further. The likelihood of the establishment of a further deepened Banking Union is thus high, while the maximalist scope will probably not be achieved due to consistent disagreement with the interests of core member states. The situations seen in the financial crisis until now, in which states are in positions to limit, ignore or counter EU decisions through their disapproval are thus likely to be reduced if Banking Union proceeds as it started.

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Appendix

Table 1: Components of Banking Union

Development	Component
Step 1 (minimalist)	EU supervisor and single supervisory mechanism (followed by bank access to ESM)
Step 2	Common rules on banking charter, resolution authority, federal deposit insurance
Step 3	Crisis resolution system (guidelines for bankruptcy or recapitalization)
Step 4	Banking resolution fund
Step 5 (maximalist)	Application scope to include all banks; inclusion of non-Eurozone member states and banks

General Questions
QA12a.1 At the present time, would you say that, in general, things are going in the right direction or in the wrong (OUR COUNTRY) (European Commission, 2008; 2012f, p.T43)

	Right direction		Wrong direction		Neither	
	2008	2012	2008	2012	2008	2012
DE	34	40 (+7)	40	33 (-2)	22	23 (-5)
FR	23	36 (+21)	61	37 (-33)	11	15 (+7)
UK	25	32 (+8)	63	55 (-7)	9	9 (-1)

* In brackets are the changes to the year before (Eurobarometer, 2011)

QA12a.2 At the present time, would you say that, in general, things are going in the right direction or in the wrong The European Union (European Commission, 2008; 2012f, p.T44)

	Right direction		Wrong direction		Neither	
	2008	2012	2008	2012	2008	2012
DE	37	20 (-1)	28	53 (+7)	25	21 (-4)
FR	34	23 (+9)	38	51 (-16)	12	12 (+4)
UK	34	14 (+1)	35	68 (-1)	13	7 (0)

* In brackets are the changes to the year before (Eurobarometer, 2011)

QA21a.2 Please tell me to what extent you agree or disagree with each of the following statements. The interests of (OUR COUNTRY) are well taken into account in the EU (European Commission, 2008; 2012f, p.T78)

	Total Agree		Total Disagree	
	2008	2012	2008	2012
DE	78	59	15	36
FR	80	57	16	34
UK	52	27	38	61

Financial Crisis Questions:
QA19.1 What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it.
A European economic and monetary union with one single currency, the euro (European Commission, 2008; 2012f, p.T71)

	For		Against	
	2008	2012	2008	2012
DE	68	65 (-1)	28	30 (+1)
FR	71	69 (+6)	26	28 (-4)
UK	26	15 (0)	66	79 (-1)

* In brackets are the changes to the year before (Eurobarometer, 2011)

QC3a In your opinion, which of the following is best able to take effective actions against the effects of the financial and economic crisis? (European Commission, 2012f, p.T126)

	National Gov.	EU
	2012	2012
DE	18 (+2)	23 (-1)
FR	23 (+1)	21 (-1)
UK	34 (-3)	12 (+4)

* In brackets are the changes to the year before (Eurobarometer, 2011)
* * Other possible answers were: US, G20, IMF

QC4a.2 For each of the following statements, please tell me whether you totally agree, tend to agree, tend to disagree or totally disagree.
EU Member States should work together more in tackling the financial and economic crisis (European Commission, 2012f, p.T129)

	Total Agree	Total Disagree
	2012	2012
DE	93 (-1)	6 (+2)
FR	94 (+4)	4 (-1)
UK	87 (+5)	8 (-3)

* In brackets are the changes to the year before (Eurobarometer, 2011)

QC6.1 A range of measures to tackle the current financial and economic crisis is being discussed in the European institutions. For each, could you tell me whether you think it would be effective or not?
A more important role for the EU in regulating financial services (European Commission, 2012f, p.T142)

	Total Effective	**Total not Effective**
	2012	2012
DE	72 (-1)	21 (+4)
FR	78 (+6)	11 (-5)
UK	59 (+5)	29 (-2)

* In brackets are the changes to the year before (Eurobarometer, 2011)

QC6.3 A range of measures to tackle the current financial and economic crisis is being discussed in the European institutions. For each, could you tell me whether you think it would be effective or not?
A stronger coordination of economic and financial policies among the countries of the euro area (European Commission, 2012f, p.T144)

	Total Effective	**Total not Effective**
	2012	2012
DE	82 (-1)	14 (+2)
FR	82 (+7)	11 (-3)
UK	63 (+5)	24 (-3)

* In brackets are the changes to the year before (Eurobarometer, 2011)