"INTERNATIONALISATION OF FINANCIAL MARKETS, EFFICIENCY AND STABILITY"

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Abstract

The essay provides an economic framework to assess the prudential regulation of European financial services. It addresses the issue of hierarchy of regulations, that is the eventual need for centralized regulation at the level of a European System of Central Banks, harmonization of national regulations, or competitive (de-)regulation. An analysis of the sources of market failure concludes that competition between national regulators will benefit consumers of financial services and the efficiency of financial markets in most cases. The paper warns against an abusive interpretation of the 'public interest' criterion which is used often to restrict competition. Finally, it is argued that more work remains to be done to achieve open and stable financial markets. In particular, the prudential regulation of firms with significant risks located abroad should be organized by both the home and host country authorities.

An essential objective of the 1992 Single Market Programme is the improvement of economic efficiency. In the context of financial services -banking, insurance and investment- the gains in efficiency will come from three sources. Firstly, it is hoped that a larger market will allow firms to achieve the appropriate level of scale and operate with the lowest possible costs. Secondly, the access by consumers to both domestic and foreign firms will raise the level of competition and the allocative efficiency. Thirdly, in the context of an industry that has been heavily regulated, it is hoped that competition among domestic regulators will lead to optimal regulatory and supervisory schemes.

The objective of the paper is to address the third source of gains in efficiency, prudential regulation and supervision. It is not that the first two sources are unimportant, but it appears that internationalization has already taken place for the large corporate clients -the Euromarkets-, and that in the retail market (consumers, and small and medium-size firms), the suppliers of financial services will be mostly domestic firms. It is expected that most of the efficiency gains in retail banking will come not from economies of scale, but rather from a change in the regulatory environment (Steinherr-Gilibert,1989 ; Dermine, 1991_a). As an example, the deregulation of money markets in Belgium, France or Spain (coming soon in Germany) has allowed the creation of money market funds and the disappearance of deposit pricing arrangements.

Emphasis on prudential regulation is warranted at a time the Twelve Members of the European Community have agreed on a Treaty on Economic and Monetary Union. As is

explicitly mentioned in the Treaty, the primary objective of the European System of Central Banks is to promote price stability. Prudential regulation appears to be a secondary objective, which although mentioned explicitly in the Treaty, has not received much public attention. It is our strong belief that prudential regulations in European financial markets will become a key-issue in the years to come. The collapse of banks in Finland and Norway, and the recent case of BCCI are signs that a bankruptcy-proof European banking system is a thing of the past.

The creation of a common financial market puts into question the need for a centralized regulation, an harmonization of national regulations and an allocation of responsibility among national regulators and supervisors. To refer to a current debate and the Maastricht Treaty, the issue is to define the 'subsidiarity' role of Brussels in terms of centralization and harmonization. This essay provides a framework to assess the regulation of international financial services. Although primarily related to the integration of European financial markets, the issues are quite broad and relevant to the internationalization of finance.

The essay is organized as follows. The process of integration of the European financial services industry is summarized in the first section. An economic analysis of the potential sources of market failures calling for public intervention and harmonization is developed in the second section.

The conclusions are as follows. There are two main reasons to regulate and supervise

financial markets : Consumer protection and financial stability[1]. It is argued that the '1992' principles of national regulations, home country control, mutual recognition and competition among regulators will benefit greatly the efficiency of European financial markets. The paper warns against an abusive use of the 'public interest' principle referred to in various European directives and cases of the European Court of Justice. It is argued that a centralization of regulations is not necessary and that an international harmonization is warranted in two cases only : When consumers of financial services are not able to evaluate risks or when implicit subsidies have to be levelled off. Finally, it is argued that more work remains to be done to ensure that the actions of independent Central Banks lead to the stability of financial markets. In the cases of international banks with significant risks located abroad, we recommend joint supervision by the host and home authorities, possibly under the leadership of the European Central Bank.

SECTION ONE : EUROPEAN FINANCIAL SERVICES

While most international agreements have used the national treatment principle which ensures the equal treatment of all firms operating in one country, the European Commission has used a powerful innovative method of integration : The opening of markets with very minimal harmonization of regulations.

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[1]A third source of market failure, the abuse of market power, is not discussed as it applies to all industries. A discussion of the recent trend for domestic mergers and concentration in several European countries (f.i. AMRO-ABN, or NMB-Postbank-ING in the Netherlands) would call for a specific analysis.

In the context of banking, the 1985 White Paper calls for a single banking license, home country control and mutual recognition of national regulations. All credit institutions authorized in one country will be able to establish or supply financial services in the EC without further authorization[2]. The banking model adopted by the European Commission is the universal banking model. It permits banks to undertake investment banking activities and allows national supervisors to regulate the eventual links between insurance, commercial and industrial groups, and banks. For instance, it is known that the Bank of England would not favor the ownership of banks by industrial groups, while this would be allowed in France or Belgium. The second directive calls for home country control on solvency, but recognizes explicitly that host country regulations will apply for public interest or monetary policy reasons and for market position risks. Recognizing that competition requires a fair level playing field and minimal harmonization of regulations, the second banking directive calls for minimal equity, harmonized capital adequacy rules, supervisory control of major shareholders and of banks' permanent participation in the non-financial sector. A proposal for a new directive on large risks is under discussion.

The integration of investment services (investment banking) and insurance proceeds in a very similar manner. As far as investment services is concerned, draft directives for Investment Services in the Securities Field and for Capital Adequacy provide for a single license, home country control on shareholders, capital adequacy, risk management and compliance with prudential rules. A major difference with the second banking directive is

[2]As concerns non-EC banks, the 'single' passport applies only to subsidiaries authorized in one country of the EC. Branches do require national authorization (see Clarotti, 1984).

that substantial powers would be given to host authorities in terms of the design of the rules of conduct of business. These include share registration and new issues procedure, securities prospectuses, investment management, investor protection, insider trading and related market practices.

In the field of insurance, integration is somewhat lagging, although major progress are underway. Two fields have to be distinguished : Life insurance (including life insurance,pension and general annuities) and non-life insurance (including motor vehicle,fire and property,liability and accident). As regards the latter, the principle of single license, home country control and mutual recognition applies to large risks only. Host country authorization and supervision still applies for mass risks. As regards life insurance, the second directive authorizes free cross-border sales when the initiative is taken by the applicant. Otherwise, host country authorization and supervision is the rule. A proposal for a third life insurance directive has been issued recently ; it would allow the home country principle for life insurance by 1994, although marketing practices could be regulated for public interest. As concerns the choice of contract law, the general rule is that the law applying to the country where the risk is located will be chosen, unless it has been waived explicitly.

One would not be complete without making reference to the recent Treaty on Economic and Monetary Union. Although "the primary objective of the European System of Central Banks shall be to maintain price stability", there are explicit references to regulation and supervision. "The European System of Central Banks shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential

supervision of credit institutions and the stability of the financial system". "The national central banks are an integral part of the ESCB and shall act in accordance with the guidelines and instructions of the European Central Bank." "The ECB may offer advice to and be consulted by the Council, the Commission and the competent authorities of the Member States in the scope and implementation of community legislation relating to the prudential supervision of credit institutions and to the stability of the financial system... The ECB may fulfill specific tasks concerning policies relating to the prudential supervision of credit institutions and other financial institutions with the exception of insurance undertakings"[3]. The principle of subsidiarity would apply to prudential supervision. That is, national home country control is the rule, and the intervention by the European Central Bank is the exception.

From this review of the proposals, it appears that the objective pursued by the European Commission is threefold : Free entry, freedom of cross-border services throughout the Community, and consumer protection. In this respect, reference is often made to the 1978 European Court of Justice 'Cassis de Dijon' case according to which control of the quality of a product is warranted, but can be met adequately by the supervisor of the home country. However, references are also made to a 1986 non-life insurance Court case according to which control by the host authorities are acceptable as long as they are justified on the ground of the 'public interest' : "Insurance is a sensitive area, and until more progress is made in achieving a common regulatory framework, the only way of safeguarding

[3]As reported in Financial Times, December 12, 1991.

the interest of individual customers is to insist that policies sold in any Member State must accord with the rule prevailing in that country". A further illustration of the perceived need for consumer protection is the recommendation on deposit insurance : "Member states shall ensure that the deposit-guarantee schemes that exist in their territory cover the deposits of branches of institutions having their head office in another Member state. As a transitional measure, pending entry into force of a deposit-guarantee scheme in all Member States, the latter shall ensure that the deposit guarantee schemes, in which the institutions that have their head office in their territory take part, extent cover to deposits received by branches set up in host countries within the Community which have no deposit-guarantee scheme, under the same conditions as those laid down to guarantee deposits received in the home country.".

Both the European Commission and the European Court of Justice appear to accept the premise that consumers of financial services need to be protected. In case of public interest, it has been argued by the Court and recognized again in a draft proposal for a third life-insurance directive that host country regulations could be applied. In order to assess the economic coherence of the European framework, it is useful to review the literature on the sources of market failure calling for public interventions.

SECTION TWO : THE ECONOMICS OF FINANCIAL SERVICES REGULATION

Two independent sources of market failure have been identified in the financial services industry : Imperfect information and the need to protect consumers, and the potential for bank runs and systemic crisis.

Information and Consumer Protection

The economic literature recognizes that the inability of consumers to evaluate properly the quality of a product can create a market failure[4]. An inefficiency may arise because the quality of a service is not valued properly by the market and reflected into higher prices so that there is insufficient incentives for firms to produce quality. For instance, it may be difficult for depositors to assess the quality of the assets of a bank and its degree of solvency. Or it could be difficult to evaluate the quality of incompetent or dishonest financial advisors.

Such situations create the need for two types of regulations to protect consumers. Regulations can control entry in a market (the 'fit and proper' criterion) or conduct behavior (capital adequacy, risk taking, insider trading...). In this context, there is an important issue as whether this regulatory task should be performed by private or public organizations, and in an international and global marketplace, whether there is a need to

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[4]see Kay-Vickers (1986).

harmonize regulations.

The analysis of the 'consumer protection' argument will proceed in three steps. First, a private market solution is searched to meet the information problem. Next, we analyze the set of circumstances under which the regulation of entry and conduct is justified. Finally, the conditions requiring an international harmonization of regulations are examined.

A natural solution to the imperfect information problem is the provision of information and regulation of disclosure. Since the evaluation of bank risks is a costly activity and is available to consumers at a very low transfer cost, it does not need to be undertaken by each depositor but can be delegated to a public agency or a private rating firm. Furthermore, since small account holders may find the cost of interpreting the rating high and/or since they care about risk free deposits only, two alternatives could be developed. The first is to have deposit insurance. The second is to create risk free banks, that is intermediaries investing all deposits in risk free securities. Depositors would have the choice between banks offering a higher but risky return and those providing quasi-risk free deposits. It would appear that the evaluation of risks is not inherently more difficult in banking than in other industries. A main difference is that it is quite likely that a large fraction of depositors care for risk free deposits, but these could be provided by the markets.

In addition to the disclosure and evaluation of information, there are two additional private ways to reduce the imperfect information problem : Reputation and industry insurance-warranty. Reputation implies that firms who care for the value of their franchise and long run profits have an incentive to build internal control system to reduce risks and fraud. However, a tradeoff will exist between (high) short term fraudulous profit and the

benefits of long term reputation. An alternative is for a firm or an industry to provide a warranty to guarantee the quality of the services offered. For instance, the fund of a stockbrokers association guarantees clients against potential dishonest behavior of its employees. Peer monitoring or industry self-regulation prevent deviant behavior.

This analysis has shown that the information problem can be solved privately on the market in several different ways. However, whenever there is evidence that the market cannot discriminate among firms, then there is a case for the government to regulate entry and ensure a minimal quality, as is done for instance in the medical and legal professions. The argument is that regulation is necessary to maintain a minimum desired level of quality. A question arises as whether this should be done privately or quasi-privately as in Great Britain with the Self-Regulatory Organizations or whether it should be public. The benefits of flexibility and industry expertise provided by private self-regulations have to be balanced against the risk of capture by the SROs whose members have an obvious incentive to limit entry and competition. As there is currently no empirical evidence in favor of one system or another, we suggest to let the national regulatory structures compete.

Competitive (de)regulation raises immediately the issue of the need to harmonize regulations at the international level. The answer to this question is again related to imperfect information. Competition among national regulators or private clubs is desirable whenever the parties can evaluate the quality of regulatory systems. For instance, competition among regulators in Paris, Frankfurt, London and New York will shape the development of local stock exchanges and the outcome will be optimal if participants can discriminate among different regulatory systems. Harmonization of rules to ensure minimal

quality would be necessary only if the market cannot discriminate. This suggests that the degree of international harmonization could vary for different activities and classes of investors, the 'informed' and the 'non-informed'.

It is fair to recognize that different countries may wish different degree of protection and regulations, so that an international harmonization is unlikely to satisfy fully all members. But the alternative to free international trade with (imperfect) international harmonization is a 'closed' economy with domestic regulation. The author has little doubt that the benefits of international trade and competition will weigh favorably against the benefits provided by a (possibly) more satisfactory domestic regulation in a 'closed' economy.

As regards the market failure related to imperfect information, one has to be extremely careful to avoid regulatory interference which can create the 'raison d'etre' of public intervention. For instance, the creation of a safe and publicly insured deposits market reduces the market for information gathering and the creation of risk free funds. A clear example of a potentially perverse effect of intervention is the money market funds market in France which, so far, is virtually risk free. In a case where a distribution company CODEC was close to defaulting on its commercial paper (held by money market funds), the banks intervened to absorb the losses. The argument was that this was necessary to stabilize the money market funds market. The argument of market stability is understandable, but the intervention creates a false sense of safety and reduces the private incentives to create

rating agencies evaluating the riskiness of money market funds[5].

Facing a remarkably similar situation in May 1970, the Federal Reserve Bank of New York refused to lend to Penn Central which was defaulting on its commercial paper[6]. This 'laissez faire' policy should not imply that there is no ground for public intervention to compensate the unlucky or imprudent investors. The argument is that transitory transfer policies should be used in these cases rather than direct and permanent interference with the functioning of private markets.

It is striking to observe that the motivation for regulation advanced by the European Commission is the need to protect consumers against losses. Although the principle of home country control is recognized as an efficient way to foster integration, there are several references to 'public interest' and the possibility to rely on host country rules to restrict competition and protect consumers. In contrast, the banking literature is less concerned with risk per se. As long as information flows properly, the risk will be priced into higher deposit rates and investors will have a menu ranging from risk free to 'junk' banks. The case for imperfect information and regulation should apply only to the 'small' uninformed investor. The provision of the third life insurance directive which applies the law of the applicant (except when it has been waived explicitly) and leaves time to cancel a policy seems in this respect quite effective. In banking, risk free funds could be created to meet the need of investors who care for riskless assets or who are uninformed.

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[5]The first ratings on French money market funds were made public in April 1991, ten years after the creation of the market.

[6]see Brimmer (1989).

The second major argument for the regulation of financial institutions is the fear of systemic risk in the banking industry.

The Stability of Financial Markets

Banks are special because the financial contract that emerges -illiquid loans funded by short-term deposits- creates the risk that depositors run to withdraw their funds. A run can be triggered by a bad news about the value of bank assets or by any unexplained fear. In both cases, there may be a loss since illiquid assets will be sold at a discount. Moreover, a bank failure could eventually trigger a signal on the solvency of other banks, leading to a systemic crisis. A market failure exists because a cooperative solution among depositors cannot be enforced. Collectively, there is no incentive to run, but individually, there is the incentive to be the first on the line to collect the deposits at full value.

This market failure explains banking regulations and the establishment of safety nets to guarantee the stability of banking markets. They have taken the form of deposit insurance and lender of last resort interventions. In Europe, deposit insurance systems have been created recently in most countries.

Country	Coverage (Domestic currency)	Coverage (ECU)
Belgium	BEF 500,000	11,870
France	FF 400,000	57,520
Germany	30 % of equity per deposit	
Italy	Lit 1 billion (100 % for first 200 mil. and 75 % for next 800)	526,400
Netherlands	DG 35,000	15,120
Spain	Pta 1,500,000	11,930
United Kingdom	75 % of deposits up to £ 20,000	21,600
Japan	Yen 10,000,000	60,600
United States	$ 100,000	83,890

Table 1 : Deposit Insurance Systems in Selected Countries.

Three features of the European insurance systems make them unique. The first is that, contrary to the FDIC in the United States or the CDIC in Canada, they are totally ignored by the public. Publicity is even forbidden in Germany. The argument seems to be that the announcement of their creation could reduce the confidence in the banking system. Since the coverage per deposit is small and even incomplete in the United Kingdom and Italy, they are unlikely to contribute much to the stability and one would have to rely on lender of last resort intervention of central banks to ensure stability. Secondly, since the coverage is different across countries, it could be destabilizing if depositors start to chase

the best coverage. A third feature of the deposit insurance systems is that they cover the deposits of domestic and foreign banks operating locally. This could create an 'accountability' problem. Indeed, any insurance activities require the monitoring of risks taken by the insurer, but the principle of home country supervision would not allow the control of the foreign entities by the domestic lender of last resort or the deposit insurance agency. The failure of BCCI involves a bank chartered in Luxembourg, with significant activities in Great Britain. Its liquidation creates a liability for the British deposit insurance fund. Current discussion seems to suggest the organization of deposit insurance on a consolidated basis. If this was the case, there would be an appropriate matching between supervision and insurance, but one has to realize that deposit insurance on a consolidated basis requires an identity of coverage, otherwise Italian banks benefiting from a large coverage (ECU 526,400) would compete away the Belgian banks (ECU 11,870).

One is left wondering about the creation of deposit insurance systems in Europe. As has been argued, they are unlikely to contribute to the stability of the banking systems. Deposit insurance systems can be interpreted as a tool to create small risk free deposits while putting the cost of bailing out on the insurance fund funded by the banking industry.

It seems that the creation of safe deposits should be done <u>without</u> recourse to insurance. European deposit insurance mechanisms should be dismantled. Risk free funds can be created and the market will decide how much will go into these funds. As to risky banks, they will be evaluated by rating agencies who can provide information.

As there remains a need to foster stability, discretionary lenders of last resort will be necessary. The major advantage of a discretionary safety net as opposed to a more

systematic insurance is that it increases the private incentives for monitoring and evaluating bank riskiness. The interventions of a lender of last resort create two specific problems. They concern the potential liability of the lender of last resort and the implicit subsidy that can be given to domestic banks.

As lenders of last resort will be concerned primarily with their domestic markets and banks operating domestically[7], it would seem legitimate that they keep some supervisory power on all institutions operating domestically. That is, host country regulation could be authorized[8] to limit the exposure of the domestic central bank. A first alternative to host country control is to harmonize completely the solvency standards, but experience has shown that it would be very difficult to get an agreement on common harmonization of regulations and supervisory practices. A second alternative is to pursue further the process of harmonization and delegate supervision and regulation to a European Central Bank. The problem of accountability would be solved at the European level but not at the world level. Moreover, we do not believe that a centralized regulation at the level of a European Central Bank is necessary, nor desirable. Competition between national regulators will produce efficient standards and prevent the regulatory capture by the regulatees as has happened so often in the last sixty years. It thus seems reasonable to let domestic lenders of last resort keep some host supervisory powers on foreign banks having substantial risks located abroad

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[7] It is well known that the Bank of Italy did not intervene to prevent the collapse of the Luxembourg-based Banco Ambrosiano Holdings.

[8] A provision in the second banking directive allows host country control for 'public policy' or 'monetary policy' reasons. The control of the liability of the lender of last resort could fall in these categories (Dermine, 1990_a).

(Dermine, 1990_b). Equivalently, the European Central Bank could organize the prudential supervision of these international banks, in accord with the principle of subsidiarity.

A second and related issue is the recognition that public safety net or deposit insurance systems can provide an implicit subsidy that can alter competition. To create a level playing field, the Bank for International Settlements and the European Commission have enforced minimal capital requirement and are working on lending limits to a single borrower. The harmonization of prudential regulations is warranted when the objective is to create a level playing field. But harmonization should only be limited to that objective. For instance, the current effort to harmonize the regulations on interest rate risk and foreign exchange exposure do not appear desirable because they do not provide clear competitive advantage to banks (Dermine,1991_b). Quite often the identification of a regulatory subsidy will be questionable. For instance do links between banks and industrial groups provide a competitive advantage which is subsidized by the central bank who takes a greater risk ? It would seem to us that there is no case for harmonization as long as the joint existence of a competitive advantage and a subsidy is not demonstrated. Such a case was pretty clear in the context of loan funding and capital adequacy. It is much debatable in the context of the links between banks and industrial groups.

CONCLUSION

The purpose of the essay has been to analyze the integration of European financial markets. While most international agreement have used the national treatment principle and kept domestic authorization and supervision, the European Commission has used a powerful innovative method of integration : The opening of markets with single license, home country control, mutual recognition and very minimal harmonization. Our analysis of the financial services industry has shown two main sources of economic failure calling for national regulations and the eventual harmonization of regulations. The first source of market failure is the traditional need to protect consumers. It has been argued that domestic regulation of quality is only warranted in those cases where consumers cannot evaluate the quality of a product. Similarly, international harmonization of regulation is necessary if the markets cannot discriminate among different regulatory structures. It is the author's view that information disclosure, competition between public or private regulators and the creation of risk free funds will be satisfactory in most situations. In any case, different products and classes of consumers will require different regulatory treatment. A call has been made to limit the 'public interest' argument which not only may limit competition but also harm the spontaneous development of private markets. A second market failure calling for regulation and harmonization comes from the need to provide a safety net and the legitimate need to limit moral hazard and risk taking. From this angle, host regulation may be justified to limit the exposure of domestic lender of last resort and the international harmonization of

regulations may be necessary to limit implicit subsidies A prudential role has been defined for the European Central Bank : To facilitate the supervision of international banks . It has been argued that harmonization of prudential regulations should only be done when there is a clear case of implicit subsidy and competitive advantage.

As was the case in the last sixty years, the powers given to national regulators in terms of limits on entry, price competition and marketing practices will no doubt shape the degree of competition and the efficiency of the European financial markets. The European Commission and the European Court of Justice will very likely play a major role in the coming years to limit the discretionary powers of national regulators to what is strictly necessary for consumer protection, the control of the exposure of the lender of last resort and the level playing field.

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88/46	Yves DOZ and Amy SHUEN	**"From intent to outcome: a process framework for partnerships"**, August 1988.
88/47	Alain BULTEZ, Els GIJSBRECHTS,	**"Asymmetric cannibalism between substitute items listed by retailers"**, September 1988.

	Philippe NAERT and Piet VANDEN ABEELE	
88/48	Michael BURDA	**"Reflections on 'Wait unemployment' in Europe, II"**, April 1988 revised September 1988.
88/49	Nathalie DIERKENS	**"Information asymmetry and equity issues"**, September 1988.
88/50	Rob WEITZ and Arnoud DE MEYER	**"Managing expert systems: from inception through updating"**, October 1987.
88/51	Rob WEITZ	**"Technology, work, and the organization: the impact of expert systems"**, July 1988.
88/52	Susan SCHNEIDER and Reinhard ANGELMAR	**"Cognition and organizational analysis: who's minding the store?"**, September 1988.
88/53	Manfred KETS DE VRIES	**"Whatever happened to the philosopher-king: the leader's addiction to power,** September 1988.
88/54	Lars-Hendrik RÖLLER and Mihkel M. TOMBAK	**"Strategic choice of flexible production technologies and welfare implications"**, October 1988
88/55	Peter BOSSAERTS and Pierre HILLION	**"Method of moments tests of contingent claims asset pricing models"**, October 1988.
88/56	Pierre HILLION	**"Size-sorted portfolios and the violation of the random walk hypothesis: Additional empirical evidence and implication for tests of asset pricing models"**, June 1988.
88/57	Wilfried VANHONACKER and Lydia PRICE	**"Data transferability: estimating the response effect of future events based on historical analogy"**, October 1988.
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88/62	Cynthia VAN HULLE, Theo VERMAELEN and Paul DE WOUTERS	**"Regulation, taxes and the market for corporate control in Belgium"**, September 1988.
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88/64	Kasra FERDOWS	**"Charting strategic roles for international factories"**, December 1988.
88/65	Arnoud DE MEYER and Kasra FERDOWS	**"Quality up, technology down"**, October 1988
88/66	Nathalie DIERKENS	**"A discussion of exact measures of information assymetry: the example of Myers and Majluf model or the importance of the asset structure of the firm"**, December 1988.
88/67	Paul S. ADLER and Kasra FERDOWS	**"The chief technology officer"**, December 1988.

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89/01	Joyce K. BYRER and Tawfik JELASSI	**"The impact of language theories on DSS dialog"**, January 1989.
89/02	Louis A. LE BLANC and Tawfik JELASSI	**"DSS software selection: a multiple criteria decision methodology"**, January 1989.

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89/06	Mihkel M. TOMBAK and B. SINCLAIR-DESGAGNÉ	**"Coordinating manufacturing and business strategies: I"**, February 1989.
89/07	Damien J. NEVEN	**"Structural adjustment in European retail banking. Some view from industrial organisation"**, January 1989.
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89/11	Manfred KETS DE VRIES and Alain NOEL	**"Understanding the leader-strategy interface: application of the strategic relationship interview method"**, February 1989.
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89/13	Manfred KETS DE VRIES	**"The impostor syndrome: a disquieting phenomenon in organizational life"**, February 1989.
89/14	Reinhard ANGELMAR	**"Product innovation: a tool for competitive advantage"**, March 1989.
89/15	Reinhard ANGELMAR	**"Evaluating a firm's product innovation performance"**, March 1989.
89/16	Wilfried VANHONACKER, Donald LEHMANN and Fareena SULTAN	**"Combining related and sparse data in linear regression models"**, February 1989.
89/17	Gilles AMADO, Claude FAUCHEUX and André LAURENT	**"Changement organisationnel et réalités culturelles: contrastes franco-américains"**, March 1989.
89/18	Srinivasan BALAK-RISHNAN and Mitchell KOZA	**"Information asymmetry, market failure and joint-ventures: theory and evidence"**, March 1989.
89/19	Wilfried VANHONACKER, Donald LEHMANN and Fareena SULTAN	**"Combining related and sparse data in linear regression models"**, Revised March 1989.
89/20	Wilfried VANHONACKER and Russell WINER	**"A rational random behavior model of choice"**, Revised March 1989.
89/21	Arnoud de MEYER and Kasra FERDOWS	**"Influence of manufacturing improvement programmes on performance"**, April 1989.
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89/24	Martin KILDUFF and Mitchel ABOLAFIA	**"The social destruction of reality: Organisational conflict as social drama"** zApril 1989.

89/25	Roger BETANCOURT and David GAUTSCHI	"Two essential characteristics of retail markets and their economic consequences" March 1989.
89/26	Charles BEAN, Edmond MALINVAUD, Peter BERNHOLZ, Francesco GIAVAZZI and Charles WYPLOSZ	"Macroeconomic policies for 1992: the transition and after", April 1989.
89/27	David KRACKHARDT and Martin KILDUFF	"Friendship patterns and cultural attributions: the control of organizational diversity", April 1989.
89/28	Martin KILDUFF	"The interpersonal structure of decision making: a social comparison approach to organizational choice", Revised April 1989.
89/29	Robert GOGEL and Jean-Claude LARRECHE	"The battlefield for 1992: product strength and geographic coverage", May 1989.
89/30	Lars-Hendrik ROLLER and Mihkel M. TOMBAK	"Competition and Investment in Flexible Technologies", May 1989.
89/31	Michael C. BURDA and Stefan GERLACH	"Intertemporal prices and the US trade balance in durable goods", July 1989.
89/32	Peter HAUG and Tawfik JELASSI	"Application and evaluation of a multi-criteria decision support system for the dynamic selection of U.S. manufacturing locations", May 1989.
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89/36	Martin KILDUFF	"A dispositional approach to social networks: the case of organizational choice", May 1989.
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89/40	Balaji CHAKRAVARTHY	"Management systems for innovation and productivity", June 1989.
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89/43	Michael BURDA	"A note on firing costs and severance benefits in equilibrium unemployment", June 1989.
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89/57	Taekwon KIM, Lars-Hendrik RÖLLER and Mihkel TOMBAK	"Market growth and the diffusion of multiproduct technologies", September 1989.
89/58 (EP,TM)	Lars-Hendrik RÖLLER and Mihkel TOMBAK	"Strategic aspects of flexible production technologies", October 1989.
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90/01 TM/EP/AC	B. SINCLAIR-DESGAGNÉ	"Unavoidable Mechanisms", January 1990.
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90/10 TM	Joyce BRYER and Tawfik JELASSI	"The Impact of Language Theories on DSS Dialog", January 1990.
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90/23 EP/SM	Damien NEVEN	"EEC Integration towards 1992: Some Distributional Aspects", Revised December 1989
90/24 FIN/EP	Lars Tyge NIELSEN	"Positive Prices in CAPM", January 1990.
90/25 FIN/EP	Lars Tyge NIELSEN	"Existence of Equilibrium in CAPM", January 1990.
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90/31 MKT/EP	David GAUTSCHI and Roger BETANCOURT	"What Determines U.S. Retail Margins?", February 1990.
90/32 SM	Srinivasan BALAK-RISHNAN and Mitchell KOZA	"Information Asymmetry, Adverse Selection and Joint-Ventures: Theory and Evidence", Revised, January 1990.
90/33 OB	Caren SIEHL, David BOWEN and Christine PEARSON	"The Role of Rites of Integration in Service Delivery", March 1990.
90/34 FIN/EP	Jean DERMINE	"The Gains from European Banking Integration, a Call for a Pro-Active Competition Policy", April 1990.
90/35 EP	Jae Won PARK	"Changing Uncertainty and the Time-Varying Risk Premia in the Term Structure of Nominal Interest Rates", December 1988, Revised March 1990.
90/36 TM	Arnoud DE MEYER	"An Empirical Investigation of Manufacturing Strategies in European Industry", April 1990.
90/37 TM/OB/SM	William CATS-BARIL	"Executive Information Systems: Developing an Approach to Open the Possibles", April 1990.
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90/42 MKT	Joel STECKEL and Wilfried VANHONACKER	"Cross-Validating Regression Models in Marketing Research", (Revised April 1990).
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90/47 MKT	Lydia PRICE and Wilfried VANHONACKER	"Improper Sampling in Natural Experiments: Limitations on the Use of Meta-Analysis Results in Bayesian Updating", Revised May 1990.
90/48 EP	Jae WON PARK	"The Information in the Term Structure of Interest Rates: Out-of-Sample Forecasting Performance", June 1990.
90/49 TM	Soumitra DUTTA	"Approximate Reasoning by Analogy to Answer Null Queries", June 1990.
90/50 EP	Daniel COHEN and Charles WYPLOSZ	"Price and Trade Effects of Exchange Rates Fluctuations and the Design of Policy Coordination", April 1990.

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90/52 FIN	Lars Tyge NIELSEN	"The Utility of Infinite Menus", June 1990.
90/53 EP	Michael Burda	"The Consequences of German Economic and Monetary Union", June 1990.
90/54 EP	Damien NEVEN and Colin MEYER	"European Financial Regulation: A Framework for Policy Analysis", (Revised May 1990).
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90/56 EP	Damien NEVEN and Lars-Hendrik RÖLLER	"The Structure and Determinants of East-West Trade: A Preliminary Analysis of the Manufacturing Sector", July 1990
90/57 FIN/EP/ TM	Lars Tyge NIELSEN	Common Knowledge of a Multivariate Aggregate Statistic", July 1990
90/58 FIN/EP/TM	Lars Tyge NIELSEN	"Common Knowledge of Price and Expected Cost in an Oligopolistic Market", August 1990
90/59 FIN	Jean DERMINE and Lars-Hendrik RÖLLER	"Economies of Scale and Scope in the French Mutual Funds (SICAV) Industry", August 1990
90/60 TM	Peri IZ and Tawfik JELASSI	"An Interactive Group Decision Aid for Multiobjective Problems: An Empirical Assessment", September 1990
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90/66 TM/SE/FIN	Soumitra DUTTA and Piero BONISSONE	"Computer Support for Strategic and Tactical Planning in Mergers and Acquisitions", September 1990
90/67 TM/SE/FIN	Soumitra DUTTA and Piero BONISSONE	"Integrating Prior Cases and Expert Knowledge In a Mergers and Acquisitions Reasoning System", September 1990
90/68 TM/SE	Soumitra DUTTA	"A Framework and Methodology for Enhancing the Business Impact of Artificial Intelligence Applications", September 1990
90/69 TM	Soumitra DUTTA	"A Model for Temporal Reasoning in Medical Expert Systems", September 1990
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90/72 TM	Enver YÜCESAN	"Analysis of Markov Chains Using Simulation Graph Models", October 1990
90/73 TM	Arnoud DE MEYER and Kasra FERDOWS	"Removing the Barriers in Manufacturing", October 1990
90/74 SM	Sumantra GHOSHAL and Nitin NOHRIA	"Requisite Complexity: Organising Headquarters-Subsidiary Relations in MNCs", October 1990

90/75 MKT	Roger BETANCOURT and David GAUTSCHI	"The Outputs of Retail Activities: Concepts, Measurement and Evidence", October 1990
90/76 MKT	Wilfried VANHONACKER	"Managerial Decision Behaviour and the Estimation of Dynamic Sales Response Models", Revised October 1990
90/77 MKT	Wilfried VANHONACKER	"Testing the Koyck Scheme of Sales Response to Advertising: An Aggregation-Independent Autocorrelation Test", October 1990
90/78 EP	Michael BURDA and Stefan GERLACH	"Exchange Rate Dynamics and Currency Unification: The Ostmark - DM Rate", October 1990
90/79 TM	Anil GABA	"Inferences with an Unknown Noise Level in a Bernoulli Process", October 1990
90/80 TM	Anil GABA and Robert WINKLER	"Using Survey Data in Inferences about Purchase Behaviour", October 1990
90/81 TM	Tawfik JELASSI	"Du Présent au Futur: Bilan et Orientations des Systèmes Interactifs d'Aide à la Décision," October 1990
90/82 EP	Charles WYPLOSZ	"Monetary Union and Fiscal Policy Discipline," November 1990
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90/87 FIN/EP	Lars Tyge NIELSEN	"Existence of Equilibrium in CAPM: Further Results", December 1990
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90/89 OB	Manfred F.R. KETS DE VRIES	"The CEO Who Couldn't Talk Straight and Other Tales from the Board Room," December 1990
90/90 MKT	Philip PARKER	"Price Elasticity Dynamics over the Adoption Lifecycle: An Empirical Study," December 1990

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91/01 TM/SM	Luk VAN WASSENHOVE, Leonard FORTUIN and Paul VAN BEEK	"Operational Research Can Do More for Managers Than They Think!," January 1991
91/02 TM/SM	Luk VAN WASSENHOVE, Leonard FORTUIN and Paul VAN BEEK	"Operational Research and Environment," January 1991
91/03 FIN	Pekka HIETALA and Timo LÖYTTYNIEMI	"An Implicit Dividend Increase in Rights Issues: Theory and Evidence," January 1991
91/04 FIN	Lars Tyge NIELSEN	"Two-Fund Separation, Factor Structure and Robustness," January 1991
91/05 OB	Susan SCHNEIDER	"Managing Boundaries in Organisations," January 1991
91/06 OB	Manfred KETS DE VRIES, Danny MILLER and Alain NOEL	"Understanding the Leader-Strategy Interface: Application of the Strategic Relationship Interview Method," January 1990 (89/11, revised April 1990)

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91/12 TM	Albert ANGEHRN	"Interpretative Computer Intelligence: A Link between Users, Models and Methods in DSS", February 1991
91/13 EP	Michael BURDA	"Labor and Product Markets in Czechoslovakia and the Ex-GDR: A Twin Study", February 1991
91/14 MKT	Roger BETANCOURT and David GAUTSCHI	"The Output of Retail Activities: French Evidence", February 1991
91/15 OB	Manfred F.R. KETS DE VRIES	"Exploding the Myth about Rational Organisations and Executives", March 1991
91/16 TM	Arnoud DE MEYER and Kasra FERDOWS et.al.	"Factories of the Future: Executive Summary of the 1990 International Manufacturing Futures Survey", March 1991
91/17 TM	Dirk CATTRYSSE, Roelof KUIK, Marc SALOMON and Luk VAN WASSENHOVE	"Heuristics for the Discrete Lotsizing and Scheduling Problem with Setup Times", March 1991
91/18 TM	C.N. POTTS and Luk VAN WASSENHOVE	"Approximation Algorithms for Scheduling a Single Machine to Minimize Total Late Work", March 1991
91/19 MKT	Vikas TIBREWALA and Bruce BUCHANAN	"An Aggregate Test of Purchase Regularity", March 1991
91/20 MKT	Darius SABAVALA and Vikas TIBREWALA	"Monitoring Short-Run Changes in Purchasing Behaviour", March 1991
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91/22 EP	David GOOD, Lars-Hendrik RÖLLER and Robin SICKLES	"EC Integration and the Structure of the Franco-American Airline Industries: Implications for Efficiency and Welfare", April 1991
91/23 TM	Spyros MAKRIDAKIS and Michèle HIBON	"Exponential Smoothing: The Effect of Initial Values and Loss Functions on Post-Sample Forecasting Accuracy", April 1991 (Revision of 90/46)
91/24 TM	Louis LE BLANC and Tawfik JELASSI	"An Empirical Assessment of Choice Models for Software Evaluation and Selection", May 1991
91/25 SM/TM	Luk N. VAN WASSENHOVE and Charles J. CORBETT	"Trade-Offs? What Trade-Offs?" April 1991
91/26 TM	Luk N. VAN WASSENHOVE and C.N. POTTS	"Single Machine Scheduling to Minimize Total Late Work", April 1991
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91/28 MKT	Philip M. PARKER	"A Note on: 'Advertising and the Price and Quality of Optometric Services', June 1991
91/29 TM	Tawfik JELASSI and Abbas FOROUGHI	"An Empirical Study of an Interactive, Session-Oriented Computerised Negotiation Support System (NSS)", June 1991

91/30 MKT	Wilfried R. VANHONACKER and Lydia J. PRICE	"Using Meta-Analysis Results in Bayesian Updating: The Empty Cell Problem", June 1991
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91/32 OB	Susan C. SCHNEIDER	"Organisational Sensemaking: 1992", June 1991
91/33 EP	Michael C. BURDA and Michael FUNKE	"German Trade Unions after Unification - Third Degree Wage Discriminating Monopolists?", June 1991
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