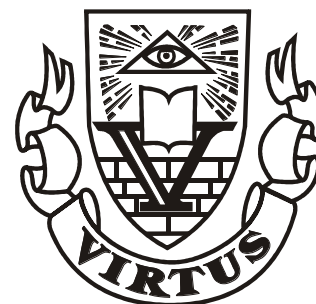


RISK GOVERNANCE & CONTROL: Financial markets and institutions

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Managing the Way Out of the Crisis: Between Regulation and Forecasts /WORKSHOP, 10th June 2011 / ESCM School of Business and Management, TOURS

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Miia Parnaudeau, Elisabeth Paulet

The forecasts of economic agents are not without influence on financial markets' fluctuations. The recent subprime crisis has shown that incorrect use of information available on the markets added to the creation of complex financial instruments can have major consequences, not only in financial terms, but also on the real economy. Based on a study of three European countries, France, Germany and the UK, the goal of this paper is to assess how more ethical practices among economic agents can reduce the volatility of financial markets and stabilise the business cycles. This should lead to greater stability for European economies.

**CRISES AND (THE ABSENCE OF) ETHICS:
INSEPARABLE MAGDEBURG SPHERES?** 14

Stephan V. Arthur

Ethics and trust can avoid crises, just as, as recent events have clearly proved, the reverse is true. The paper is simply constructed: Section 1 provides a historical analysis; Section 2 deals with today's situation, drawing similarities and differences and the possible outcomes thereby arising; the final section concludes. Historical data are difficult to come by for most countries, especially when they should also be comparable across time. In general, and for this reason, US data have been used: however, the situation in other countries was little different, as will be shown, so that the data may be considered to be representative.

**PUBLIC DEBT IMPROVES THE STABILITY
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Thibault Cuénoud

The aim of this paper is to speak about the current situation in Central and Eastern European countries (CEEC). The majority of them have been entering in European Union in 2004 and 2007.

This step has been increasing their international attractiveness and improves their economic growth. However, they must stabilize exchange rate to sustain their foreign direct investment attraction. Two strategies are adopting about the regulation of exchange rate. Bulgarian, Estonia, Latvia, Lithuania Slovenia and Slovakia are entering in Exchange Rate Mechanism 2 (ERM2) to adopt quickly euro currency (it is now the case for Slovenia in 2007, Slovakia in 2009 and Estonia in 2011). Hungary, Poland, Czech Republic and Romania prefer only to stabilize their currency for the moment. Despite the strong economic dynamic of these countries before the Subprime crisis, the impact reveals the incapacity for several of them to improve currencies stabilities.

**STRATEGIC STAKEHOLDER MANAGEMENT
BY CORPORATE SOCIAL RESPONSIBILITY:
SOME CONCEPTUAL THOUGHTS**

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Markus Stiglbauer

The sustainability and responsibility of corporate strategic management has become an important issue in recent years, not only against the background of the current financial and economic crisis. Companies are expected not only to succeed economically but also ecologically and socially. Companies can use the issue of corporate responsibility to capture new markets and opportunities. But new requirements arise. Thus, stakeholders may exert pressure on companies to assume social responsibility, whereas executives shall lead by example. This paper tries to assess possibilities to meet stakeholder expectations towards companies by implementing corporate social responsibility concepts. We identify primary and secondary stakeholders of companies by using salience theory and try to give conceptual answers how the well-known concept of Carroll's corporate social responsibility pyramid may help to improve the current situation and to take top management and supervisory boards into account to establish a change of focus on corporate social responsibility not just as a hot topic.

GOVERNING 'TOO BIG TO FAIL' BANKS

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Andy Mullineux

This paper considers possible and proposed responses to the "To Big (complex, interconnected, important) To Fail (TBTF) Problem". It argues that the corporate governance of large shareholder-owned deposit taking banks is particularly problematic because of the implicit insurance their shareholders and bondholders enjoy, at the taxpayers expense. This creates issues of moral hazard and also competitive inequality, because TBTF banks can raise funds more cheaply than non-TBTF banks. The US pre-funded deposit insurance scheme with risk-related premia does a pretty good job managing the moral hazard issues relating to non-TBTF banks. A parallel mechanism involving a special resolution regime for TBTF banks and the equivalent of deposit insurance with risk-related premia needs to be put in place.

**NAVIGATING THE FINANCIAL CRISIS
IN HELVETIC WATERS: AN ANALYSIS OF THE BANKING SECTOR (2007-09)**

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Elisabeth Paulet, Francesc Relano

While the financial turmoil has left the business approach of ethical banks unchanged, as evidenced in the striking stability of their balance sheet from 2007 to 2009, the pattern shown by big banks has substantially changed over this same period. These developments would tend to suggest the need to reform the business model of big banks. There is no clear empirical evidence that a banking system with a large number of small institutions would be any more stable than the system as it currently stands. Besides, financing certain big projects would always require the existence of large international banks. Both types of financial institutions are in fact complementary. How to regulate the banking and financial sector is thus a complex and multifaceted issue. One cannot impose the same requirements on big international-oriented banks and small domestic banks. As this paper has tried to demonstrate, both have a distinct business model.

SUBSCRIPTION DETAILS

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