

The European Banking Union: Disrupting The Doom Loop?

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Experience gained over the past few years has painfully illustrated that the European financial system was insufficiently robust to overcome a debt crisis. The doom loop of collapsing banks and stumbling economies, which, while trying to support ailing institutions with taxpayers' money, loose access to international money and capital markets and suddenly require financial support themselves remains problematic and has thus far only been insufficiently addressed. In an attempt to disrupt this vicious circle, policymakers have agreed upon the introduction of a banking union, which in its current form still displays several weaknesses, among them the incomplete privatisation and hence ongoing socialisation of losses. Paradoxically, only the next crisis will be decisive for the European banking union's success.

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