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gLAWcal **#186**
COMMENT

**BAIL-IN: A SOLUTION IN CASE OF
ECONOMIC CRISIS?**

Based on

**Antonio Segura-Serrano “Reforming
the trading and financial systems”**



gLAWcal
Global Law Initiatives for Sustainable Development



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A gLAWcal comment on Emilio Avgouleas & Charles Goodhart “Critical reflections on bank bail-ins” in Antonio Segura Serrano (Ed.) “The Reform of International Economic Governance”.

The latest economic crisis in 2008 created tension and raised fundamental questions about how to approach and solve the problems in the world of finance and economy, which have (in)direct impact also on the lives of common people. The words, such as “should we all raise money to save banks?”, were commonly mentioned by various politicians and the public. And indeed, the question was raised whether it is just and fair to bail-out certain recklessly investing banks just because they are allegedly “too big to fail”. In case when exceptions become rules, it might change the underlying logic of how a market works (or should work). As an alternative to morally hazardous exceptions, the so-called bail-in option internalizing banks’ failures is proposed and discussed in the chapter “Critical Reflections on Bank Bail-Ins” written by Emilios Avgouleas and Charles Goodhart in the book

“The Reform of International Economic Governance”. Bail-in should essentially represent a solution, which would shift the costs for banks’ operations (mainly on creditors) and enable the banks to fail without making use of the public funding. Examples of such approaches might be found in all major countries of the Western world, including the United States, United Kingdom and the European Union. Emilios Avgouleas and Charles Goodhart take us in their chapter on a journey through the relevant legal regimes and proposed solutions in the analysed countries, while subjecting these solutions to a critical assessment and evaluation. Bail-in seems to be an interesting and viable solution. However, it has also certain shortcomings that need to be adequately and openly addressed. Still, the chapter leaves the readers with the hope for a better future in case when a new financial crisis hits.



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