First of all, the choice of the degree of supervisory unification is influenced by the dimension of the economic systems. More specifically, the lower the overall economic size, the more likely it seems that the probability of consolidation will increase, confirming the hypothesis of policymakers conditioned by the "small country" situation[15]. The small country effect captures the fact that with relatively few people the expertise in financial supervision is likely to be in short supply, and then this expertise might be more effectively utilized if it is concentrated with a single financial agency.

Secondly, the legal factor matters. This law effect is puzzling. The law and finance literature claims the existence of a strong relationship between market oriented financial systems and the British law jurisdictions. Here, we do not find that financial supervision unification is directly correlated with a market-based regime, while a link exists with the Civil Law root, in particular with the German and Scandinavian legal systems. This suggests a sort of "legal neighbour" effect.

Thirdly, the choice of policymakers to establish the concentration of supervisory powers could be facilitated by an institutional environment characterized by good governance. The relationship between good governance and the supervision concentration process can be explained, if we suppose that a policymaker who cares about soundness and efficiency would prefer the single financial authority as the optimal one in the face of the blurring challenges.

7. Conclusions

countries – the good governance coefficient is weakly significant. Therefore, the financial and political factors seem to be sample sensitive explanatory variables.

15 It has been noted that the small country effect holds. Notwithstanding, we do not include in our sample the eight very small countries (Bahrain, Bermuda, Cayman Islands, Gibraltar, Maldives, Netherlands Antilles, Singapore and United Arab Emirates) that introduce the unified financial authorities.

Prior to the present study has there been an attempt to analyse the role of central bank monetary regime features in influencing the financial supervision unification. The approach was to consider the supervisory structure with one or more authorities as dependent variable. Looking for common determinants in the decision each country takes to maintain or reform its supervisory architecture, the empirical analysis highlights that the level of financial supervision consolidation depends on the central bank involvement in supervision, while the effect of the monetary institutional factors – monetary commitment and central bank independence - seem negligible.

In this respect, the establishment of a single financial authority can be consistent with the presence of an independent central bank. On the contrary, in an institutional setting characterized by a central bank deeply involved in supervision, a multi-authorities model seems to be likely to occur. From a European perspective, this results in the following prediction: the more the European Central Bank will be involved in the financial supervision architecture, the less likely the establishment of a European Single Financial Authority will be.

The overall results are particularly interesting for future research developments, bearing the hope that it increases the availability of institutional information, to expand the sample of countries that can be analysed. It will be important to pursue a deeper analysis of the determinants of the central bank fragmentation effect. In this paper the central bank fragmentation effect is an independent variable in explaining the supervision unification level. A further step in this field of research will be to consider the degree of central bank involvement as a dependent variable, in order to identify consistent proxies of the potential different causes (moral hazard effect, bureaucracy effect, reputation endowment effect) linked to the past performance of the central bankers in the monetary and/or supervisory fields.

From the theoretical point of view, the future effort will be to model the policymaker's decision framework, in order to better capture the features of the institutional and political process that lead a supervisory regime to assume given characteristics. Using the principal agent approach for addressing the architecture of financial supervision, this seems a very promising avenue.

Finally, it will be important to conduct empirical studies aimed at investigating the success of different supervisory regimes, estimating the effects the alternative models have on key economic variables. Actually such a research immediately is confronted with at least two orders of difficulty.

First of all, the issue of the optimal degree of concentration of financial supervisory powers has emerged only recently, with the reforms adopted in various countries, so considering the type of supervisory regime as an explicative or exogenous (though not unique) variable of any other economic phenomenon means undertaking an analysis of extremely short historical series, with all the related problems of interpretation.

Secondly, completely and satisfactorily identifying what the key economic variables are, and the most probable object of an estimate, on which a supervisory structure makes its effect felt, is not a simple problem. Alternative supervisory structures may, for example, affect the level of efficiency of the public resources invested in monitoring the financial markets. Indicators can be found for the efficiency phenomenon, and empirical analysis can therefore proceed.

The point is that alternative structures may also (perhaps especially) affect other variables that are important but less easily expressed in concise indicators. Examples are stability, reputation risk, or confident benefits, or the risk the authority will be captured by the policymakers or by the controlled intermediaries. Thus, a complete quantitative search for the effects of alternative supervisory structures is now probably premature, but it could be implemented in the future.