
Political Economy of Finance: Securities Market Regulation

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Résumé

The recent financial crisis has sparked fierce public and academic debates about influence of private stakeholders in regulation. Despite increased scholarly attention, we still have insufficient deductive knowledge of the financial industry influence over global rule-making. To which extent financial regulatory agencies are influenced by private interests? What factors affect the level of stringency of a regulatory change?

Addressing these questions is vital for understanding the real influence of financial interest groups in rule-making processes, and the specific conditions under which private interests prevail. This paper looks into regulatory consultation procedures as the main official channel for stakeholders to express their regulatory standpoints with the aim of exercising influence over final rules. More specifically, the paper relies on a new dataset on securities market regulation, which consists of 421 final rules and 38,997 individual comment submissions to the Securities Exchange Commission (US regulator) and the European Securities Market Authority (EU regulator).

There are two important empirical findings. First, the analyses indicate that regulatory agencies are responsive to interest group influence and alter the stringency of rules accordingly (i.e. promulgate weaker or stronger rules). Second, grounded in two pillars of 1) breadth of mobilisation and 2) the level of regulatory preference homogeneity, this thesis tests a new theoretical argument: the key driving force of regulatory changes is competition in the market itself. In other words, regulatory competition between multiple different stakeholders leads to an increased rule change stringency (i.e. stronger rules), while regulators' activities are significantly limited when faced with a homogenous opposition, particularly from a business community (i.e. weaker rules).

Mots-Clés: Interest groups, lobbying, financial regulation

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