

Treasury Guest Lecture

Guest Lecturer: Martin Hellwig

Competition Policy and Sector-Specific Regulation in the Financial Sector

Abstract

Summary

Reforms of financial regulation after the crisis of 2007-2009 raise the question of what is the relation between financial regulators and competition authorities. Should competition authorities play a role in financial regulation? Should they cooperate with financial regulators? Or should they keep at a distance? This presentation gives an overview over some of the issues that are involved in the discussion.

Drawing on the experience of the network industries, the first part of the presentation discusses the relation between competition authorities and sector-specific regulators more generally. Whereas competition policy involves the application of legal norms involving prohibitions that are formulated in abstract terms, sector-specific regulation involves authorities actually prescribing desired modes of behavior. The ongoing nature of relations makes regulators more prone to capture than competition authorities. In the financial sector, the potential for capture is particularly great because everyone is tempted by the idea that banks should fund their pet projects. Following an overview over the evolution of regulation and competition in the financial industry, the presentation discusses various issues that are relevant for competition policy: Technological and regulatory barriers to entry, distortions of competition by explicit or implicit government guarantees, distortions of competition by bailouts making for artificial barriers to exit. Guarantees and bailouts in particular pose special challenges for merger control and for state aid control.

About the presenter

Professor Martin Hellwig

Martin Hellwig is Director emeritus at the Max Planck Institute for Research on Collective Goods and Professor of Economics at the University of Bonn, Germany. He has published extensively in areas as diverse as the economics of information and incentives, public goods and taxation, competition policy and sector-specific regulation, and financial economics. His 1990s publications on systemic aspects of risk in banking and finance already exposed some of the mechanisms that were so detrimental in the crisis of 2007 – 2009. With Anat Admati from Stanford University, he has co-authored *The Bankers' New Clothes: What's Wrong with Banking and What to Do about It*, Princeton University Press 2013. More recent work also analyses problems in the euro area.

Martin Hellwig has also been active in policy work. He is a Member of the Academic Advisory Committee of the German Ministry of Economic Affairs and of the European Parliament's Expert Panel on Banking Union: Resolution. Previously, he was a Member and Chair of the German Monopolies Commission (1998 – 2006) of the European Commission, as well as Chair and Vice-Chair of the Advisory Scientific Committee of the European Systemic Risk Board (2011 – 2015).

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Level 5
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11.00am - 12.30pm

RSVP

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