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### Widen the market, narrow the competition : the emergence of supranational governance in EU capital markets

Mügge, D.K.

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## CHAPTER 9: CONCLUSION

This thesis began by asking why the governance of EU capital markets moved from the national to the supranational 'level' and what the broader relationship between patterns of governance and market structures was. Studying such a 'shift' between levels gives researchers a rare chance not only to observe governance arrangements in operation, but to witness how political, economic and social forces come together to generate new sets of institutions. Tracing the actual process of transition between the 'international constellation' and the 'supranational constellation' has thus been one of the core ambitions of this thesis.

The emphasis on process tracing is relevant as it is far from clear that the forces generating institutional change can simply be inferred from contemporary governance arrangements. Chapter 2 argued the theoretical case for a 'structuration' perspective: the agency that effects change in economic and political structures is not reducible to these structures, even if it is clearly influenced by them. The evolution of economic and political structures is therefore non-linear and open-ended. Although broad trends are clearly visible, the conflicting imperatives of different actors and the unintended consequences of political institutions can produce outcomes that no one foresaw or, for that matter, intended quite in that way. Remaining true to political economy dynamics as they unfold in practice forecloses oversimplified models which place all the emphasis on politics in a narrow sense, or on economic dynamics—whether the focus is on national or supranational actors, on agents or structures.

This thesis has approached the supranationalization of EU capital markets governance in such a spirit. The empirical analysis has shown how political institutions structured access to the policy process while shifting market structures inspired changes in the regulatory preferences of core private actors. Member state governments functioned as political vehicles where competitive fault lines traced national borders while the European Commission acted as a catalyst to spur institutional change, providing a focal point for otherwise amorphous social forces. Factors that

were ‘dependent variables’ in one part of the causal chain became ‘independent variables’ at other stages (cf. Ikenberry 1988).

This concluding chapter returns to the questions raised at the very beginning of the thesis and spells out the answers this study has brought to light. The search for the roots of supranational governance was broken down into a range of sub-questions. We wanted to know whose preferences were most important, and why, and why these preferences changed over time. Two further questions inquired into the role of supranational bodies in cross-border integration and their autonomy vis-à-vis other private and public actors. While shedding light on the case at hand, the answers to these questions were also meant to further our general understanding of the relationship between evolving market structures and patterns of governance—one of themes that ultimately stands at the heart of political economy (Underhill 2000).

The breadth of this perspective, however, has not dulled its conclusions regarding the politics of supranational capital market governance. At their heart is a dynamic that can be called competition politics, in which political insider firms employ their institutionalized power resources to control and transform their competitive environment in line with their preferences. Firms use regulatory and institutional barriers to keep competitors out, just as they support regulatory harmonization, supranational governance and other forms of political market opening to gain market access abroad. Such competition management was clearly discernable over the two decades of EU capital market politics studied in this thesis.

### **Summary of findings**

Around 1990, there was little support for cross-border market opening in the European capital markets industry. Some large City investment banks were in favour, particularly American ones, plus Deutsche Bank as the only supporter on the Continent. For most other firms, the cross-border market access that regulatory integration promised seemed more of a threat than an opportunity. European negotiations thus advanced market integration but left states with a reserve of discretionary protectionist rules that allowed governments to impose their own

conduct of business rules on firms operating within their jurisdictions. This result was far from accidental: it reflected the underlying competitive constellation which mainly saw national industries with their own business models pitted against each other.

Even though private interests had a decisive impact on public policy-making, the standard Stiglerian concept of 'regulatory capture' proved imprecise. First, Stigler points to producers' high individual stakes in public policy as well as their more easily managed collective action problems (compared to consumers). Both points are valid. Yet they ignore how particular political interests may already be 'built into' the state (Lindblom 1977). This is particularly—though not exclusively—valid for banks because of their pivotal role in economic policy (Zysman 1983). To borrow Krasner's (1984: 227) metaphor again, states are not neutral 'cash registers' that add up the vectors of political power and preferences. States as sets of fragmented political institutions with a diverse set of relationships with societal constituencies co-evolve with these groups that in turn use them to implement their own political interests (Skocpol 1985, Cerny 1990). In the case of economic policy, this includes the state as the codifier and enforcer of limits to inter-firm competition (Fligstein 2001). If political institutions are indeed frozen politics, then the institutions that govern competition are frozen competition politics.<sup>43</sup>

State-market relations differed considerably across the three countries at the heart of this study: Germany, France and the United Kingdom. So did their institutions regulating market structure and access. But in all three cases, financial firms were closely involved in financial sector policy-making, whether through corporatist structures, through a tight state-business nexus or through self-regulation. Political institutions allowed banks to use regulatory policy to further their economic objectives. This did not entail private actors coaxing government officials into policy positions inimical to their own convictions. More often than not, the long-established proximity between governments, banks and later stock exchanges made the public defence of private interests appear almost natural to the parties involved. Even when the lobbyists

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<sup>43</sup> I owe the 'frozen politics' metaphor to Brian Burgoon.

interviewed for this thesis were unambiguous about the self-interested nature of their policy positions, they still betrayed a sense of entitlement to public actors' support.

Second, Stiglerian thinking envisions interest politics as battles between large groups of actors, primarily producers and consumers. Stigler clearly realized that group size was inversely related to effectiveness of political organization. Yet 'regulatory capture' theory did not envisage an insider politics in which a handful of firms—no more than two dozen in Europe—would drive political dynamics within the sector. Incumbent firms from the most important EU capital markets formed the core of the private half of the policy community while the political struggle over regulation did not involve large societal groups—producers, consumers, investors, classes, etc. The political dynamic at the heart of the supranationalization of EU capital market governance fused 'competition management' with insider politics.

EU capital market politics around 1990 still fit Moravcsik's (1993, 1997) liberal model of international politics. But as this thesis has shown, the intergovernmental character of the 'two-level game' (Putnam 1988) did not last. The political transformation over the decade to come showed that intergovernmental politics was contingent upon the division of regulatory preferences along national borders. Whereas around 1990 many continental firms had perceived the 'City investment banks' as a threat, less than a decade later they had become models to emulate. The business strategies of many second-tier banks such as Dresdner Bank and Paribas (before its merger with BNP in 1999) also refocused in the direction of international investment banking. As capital markets boomed and governments listed former state-owned enterprises on national bourses, traditionally domestic-oriented banks expanded internationally, most notably through acquisitions in the City itself. As firms exploited the possibilities of the ISD, they came to perceive its limitations as obstacles to their international reorientation.

As the constituency in favour of institutional change grew, associational patterns in the industry began to change. Hitherto banks' preferences had been aggregated largely at the national level by way of trade associations. In the course of the 1990s, numerous banks opened offices in

Brussels and began directing their political activities to the transnational level. Transnational business associations such as the European Banking Federation and the London Investment Banking Association became new focal points for lobbying activity. The European Commission emerged as the most sought after partner for the coming transformation of EU capital markets.

The role of the European Commission deserves special attention. As the most fully developed of the EU's supranational bodies, it is the institution that neofunctionalists have most expected to emerge as a driver of integration (Haas 1958, Nugent 1995, Pollack 1998). But in the case at hand, it would be mistaken to equate the Commission's visibility in EU integration with its capacity to propel the process forward. The Commission functioned as a catalyst by providing a focal point for societal actors who favoured further integration. While it was able to use what leeway it had to insert its own preferences into policy, it proved unable to advance integration if this contradicted the preferences of the core stakeholders in the field—the financial firms. In the first round of negotiations around 1990, the Commission tried to introduce a 'single passport' in line with the ambitions of the single market programme and clearly failed (Interview 030406, Interview 131206).

In the second half of the 1990s a consensus emerged in the industry that some form of supranational governance in EU capital markets would be desirable. The heavy involvement of member states thus far had allowed nationally formed political preferences to be inserted into overall policy outcomes with relative ease. At the same time, intergovernmental negotiations (even over technical details) privileged distributional battles over designing effective policy solutions for transnational market integration. Whereas large firms had relied on national governments to inject their preferences into legislation during the first round of negotiations, they now started to decry the 'politicisation' of the policy field. With regulatory preferences having shifted towards market integration, they now favoured a more technical, 'expertise'-oriented form of governance that would limit the access of small veto players to policy-making.

Even a rudimentary version of comitology procedures had not elicited agreement in the years before 1998, when it was effectively abandoned. Yet by 2000, the mood had shifted. Financial firms now emerged as the most vocal champions of ‘the Lamfalussy process’—a much more far-reaching form of comitology than what had been proposed earlier, complemented by a powerful ‘expert’ committee composed of national regulators. With minor modifications, the process suggested by the Lamfalussy committee was implemented and remains in use at the time of writing.

The Lamfalussy process replicated—but this time at the supranational level—the insider politics that had reigned in national regulatory politics. A select group of financial firms, armed with new preferences born of successful cross-border strategies, had been in close contact with supranational bodies including the Commission since before the tabling of the first Action Plan in 1998. Firms’ preferences were not invariably heeded, if only because on specific points they disagreed among themselves: some continued to favour mutual recognition whereas others preferred rule harmonization. Exchanges and investment banks were clearly at odds over the rules for systemic internalization. Yet the complaint that current levels of consultation are insufficient says more about banks’ inherited sense of entitlement to participate in public policy-making than about the frequency of interactions between private and public actors in Brussels.

What does all this imply for established theories of supranational integration? In the introduction, this thesis’ structurationist approach was summarized under the heading ‘competition politics’. In essence it is a materialist approach: the main factor first obstructing and later furthering integration was the (perceived) material interests of a relatively small group of firms. The ideational or institutional dynamics highlighted by neofunctionalism played subordinate roles. Even though these latter have their place in the developments recounted in this thesis, neither adequately explain the political struggles and outcomes we see in the field—of which clearing and settlement is only the most recent example. Firms’ interests continue to reign supreme.

The theoretical approach of this thesis also has a clear transnational component. Contemporary patterns of governance—including formal institutions—go far beyond the inter-state arrangements that continue to constitute the intellectual anchor of neoliberal intergovernmentalism (Moravcsik 1997, 1998). The societal actors that matter are organized transnationally while policy-making power is concentrated among supranational actors even more than formal flows of accountability suggest. Member state control over capital market policy has been seriously curtailed. This suggests that in the long run, institutional arrangements—including the state—reflect underlying constellations of social forces. As these forces change, so do the political institutions that channel them. Without denying the stickiness of institutions, there is nothing immutable about the state as the primary forum of preference aggregation, certainly not in a field that has seen as rapid a transformation as financial markets has over the past two to three decades.

The thesis' structuration perspective also highlights the open-ended dynamics of the political economy (cf. Cerny 2006). Actors miscalculate the results of their actions. Bankers did not foresee that by demutualizing stock exchanges, they would create fierce competitors. Second-tier banks vastly overestimated their chances in European and global investment banking; they nevertheless provided crucial political support for integration in the late 1990s when they still saw themselves as potential winners in a transnational market place. Even though this thesis draws inspiration from a variety of theoretical approaches to supranational integration, its indebtedness to the notion of structuration makes it sceptical to axiomatic assumptions about the primacy of national governments, automatism within transnational capitalism, or the non-material drivers of supranational integration.

The second main debate to which this thesis speaks focuses on financial liberalization and market integration. What does the competition politics approach have to say about the field's more established views on financial market liberalization? While individual theories here do not fall under clearly circumscribed headings, the competition politics approach highlights core



weaknesses that most of these approaches share in spite of their differences. Most importantly, scholarship on financial liberalization rarely has much to say about the political *process* by which it is effected. In the case of large-n studies that try to capture liberalization dynamics in quantitative measures (Quinn 1997, Abiad and Mody 2003), correlations between variables need not correspond to causal connections. Where rival hypotheses remain plausible in the light of available evidence, it becomes imperative to dip into the policy process to trace political change rather than only to hypothesize it. This is not to deny the value of such studies, but to point to gaps that their methodologies are incapable of filling.

The same is true of the most prominent comparative case studies in the field. They present relatively ‘thick’ descriptions of their variables, with insufficient attention to conceptualizing or even exploring empirically the connection between them. Laurence (2001) for instance has convincingly shown that British and Japanese capital markets have liberalized. His conclusion that the global rise of capital mobility was responsible for this shift, however, remains poorly substantiated. Capital mobility is not a ‘thing’ in itself—it is the result of government policy. Nowhere is it empirically demonstrated just how investors’ preferences translated into political action. Indeed, for the European case, this thesis has found that investors’ access to political goods is much weaker than is often suggested, and that the interests of political insiders—banks in this case—have been much more important. Vogel’s (1996) analysis, which highlights the importance of political and economic institutions in states’ response to globalization ‘pressures’, also falls short on this point.

Process-tracing is even more pertinent if, as this thesis has argued, financial liberalization and supranational integration have to be understood as a structuration process that cuts across the domains traditionally thought of as ‘politics’ and ‘the economy’. The symbiotic evolution of market structures, regulatory regimes, political institutions and firms’ involvement in national economic policy means that over time, these ‘variables’ are interrelated. Structuration implies that rather than seeing these facets of financial markets as rival explanations for observed change, the

challenge is to show how they are systematically integrated. From the perspective of business actors, interactions ‘in’ the market and struggles over the rules that govern these markets are two sides of the same coin.

In this change over time, this thesis has identified coalitions financial firms, allied to public actors, as the core agents of change. They have combined strong regulatory preferences with the political clout necessary to effect policy change. The political institutions that have emerged in quite distinct ‘varieties of capitalism’ all involved banks as insiders in their respective policy communities. In the past two decades of EU capital market politics, this institutional power has been used above all to manage inter-firm competition—a finding that resonates with those of Sobel (1994) and Kroszner and Strahan (1999).

Such competition politics clearly contradict notions that markets tend towards higher efficiency (Crouch and Farrell 2004). Perspectives that conceptualize markets as social spaces in which goods, services and labour are exchanged, normally against money, miss a crucial point. Markets are populated by political actors, often large organizations, which have goals that regularly defy the logic of markets as pure spaces of flows. These actors—including the state itself—use both collectively binding rules and ‘economic agency’ to attain their goals and tilt the terms of competition to their own advantage. How they do that, and how along the way they craft political institutions to solidify their grip on power, remain core questions of political economy analysis (Underhill 2006).

### **Normative implications**

What are the normative implications of the changes this thesis has recounted? Put most simply, is the supranationalization of capital market governance in the EU ‘good news’? Following a distinction common in discussions of political legitimacy, the answer can be divided into two parts: the input legitimacy of the new governance arrangements—the chances they offer to shape policy in line with the ‘authentic preferences’ of the governed—and their output legitimacy—the impact they have on the attainment of consensual policy goals (Scharpf 1999: 6).

Let us deal with the output side first. The official *raison d'être* of the whole single market programme was to boost economic growth and thus employment (European Commission 1985, Cecchini 1988). Financial services also fell under this banner (European Commission 1988a, 1988b). In economic theory, such an effect of market integration is plausible. The classical political economists had already pointed to the welfare-enhancing potential of cross-border market integration—even if this says little about the eventual distribution of the spoils. The empirical evidence on the welfare-enhancing effects of EU financial market integration, however, is thin on the ground. Methodological problems clearly complicate reaching unambiguous conclusions. Nevertheless, the studies that exist already see it as a major success if they can trace increases in financial market integration to legislative change (European Commission 2003, 2005a). The impact all this has on welfare in the EU remains a matter of informed speculation. To say the least, evidence from the US raises doubts about whether an expansion of the financial services sector is not a sign of the redistribution of welfare rather than its overall increase (Krippner 2005). It is far from obvious that the supranationalization of EU capital market governance has generated societal economic benefits that would justify the whole enterprise.

The impact of supranational governance on other goals of financial market policy is equally ambiguous. On the one hand, intense supranational cooperation seems to have given regulators and supervisors tools that allow them to monitor cross-border activity more effectively than had earlier been the case. On the other hand, as this thesis has shown, such cooperation among regulators has been integral to the political project of transnational market integration itself. The net effect of the transition from the international to the supranational constellation for the public oversight of financial markets thus remains doubtful. Again, the problems that have emerged within European banks since the summer of 2007 at least show that regulatory cooperation has far from solved supervisory problems. The new freedoms that banks have are at least partially responsible for the mess we are now in. And the cost is high and rising.

What supranational governance has certainly done, however, is to formalize a

disembedding of capital market policy from national economic policy as a whole. The leeway that national governments have to coordinate capital market policy with other policy domains has shrunk drastically (cf. Jayasuriya 2001). To the degree that such positive coordination was integral to the functioning of historically successful social or industrial policy in coordinated market economies such as Germany or France, supranational capital market governance may have spurred their transformation (cf. Schmidt 2002). At the same time, it would be wrong to attribute a properly causal role to supranational governance itself. The latter has been a correlate of the reorientation of preferences and strategies among the largest European banks, as firms such as Deutsche Bank and BNP Paribas opted out of the tight embrace with their home governments (e.g. Deeg 2001, Culpepper 2006). Nevertheless, to the degree that the new mode of governance institutionalizes a ‘negative coordination’ of policies (Jayasuriya 2001), it limits the options governments have to respond to the political demands of their citizens.

In this way, the supranationalization of EU capital market governance erodes ‘input legitimacy’, as well. Collective policy-making and the institutionalization of a particular, technocratic vision of capital markets limits governments’ ability to manage the ‘externalities’ capital market policy generates—its effects on employment, the availability of credit throughout society, states’ (in)ability to tax particular kinds of capital income, etc. Over the past two decades, a specific version of the ‘public good’ that this policy is supposed to produce has been enshrined in rules and institutions: capital market policy is meant to ensure market stability, support economic growth and protect the users of financial services. Societal preferences that focus on other aspects are hard, if not impossible, to inject into public policy in this field.

The removal of capital market policy from effective democratic control aggravates this trend. By definition, the rise of supranational governance has decreased the leeway of national governments. As chapter 7 argued, this process has gone further in practice than formal flows of accountability suggest. The European Securities Committee, for example, is unlikely to function as an effective bulwark against policy that contradicts nationally formed preferences. What is

more, on the national level political influence has shifted away from parliaments towards executives. National parliaments still have to ‘implement’ EU-level decisions. But the whole Lamfalussy process is designed to minimize the scope left to them to adapt supranational rules to national imperatives, whatever their origin. Certainly on the national level, the democratic deficit has increased.

The complexity of EU capital market policy—both in substantive and procedural terms—makes it all but impenetrable for ordinary citizens. Existing consultation mechanisms provided by the Commission or CESR do little to change this; they are de facto heavily tilted in favour of industry representatives. Hopes for a broader democratic legitimation of policy therefore rest on the European Parliament. The EP, however, faces a number of limitations. In addition to its circumscribed role in policy-making, its capacity to process available information is limited; the EP has cognitive limits. Capital markets are but a small part of what the EP’s Economic and Monetary Affairs Committee (ECON) deals with, while MEPs typically have no more than two or three assistants to supply them with expertise and background information across all the fields they cover. MEPs are thus at a serious disadvantage to other public actors such as the Commission, the securities regulators or national finance ministries.

This lack of resources makes MEPs susceptible to lobbying in a way that is beyond their control. The technicality of the issue area can make it impossible for MEPs to draw a clear line between expertise that aids the implementation of their policy preferences and self-interested lobbying. The current practice in the EP is to collectively ostracize lobbyists if it emerges that they have abused the trust of MEPs (Interview 011205). This may partially alleviate the problem but it is as much a sign of MEPs’ dependence on others as anything else.

On the whole, then, the supranationalization of capital market governance exhibits serious legitimacy deficits: most fundamentally, it has institutionalized a particular vision of legitimate policy goals without installing mechanisms that would allow EU citizens to discover their own policy preferences, let alone inject them into the policy process. The lack of concern

this raises among members of the established policy community now focused on 'Brussels' is as good a sign of this democratic deficit as any.

### **Implications for future research**

This study points in two directions for future research: a 'vertical' extension of the research to include the 'global' level of governance in capital markets and a 'horizontal' extension to include other economic sectors, both financial and non-financial. Both could function as 'tests' of the external validity of the analysis presented here. Alongside potential generalizations, they should also allow further refinement of the overall argument and a more fine-grained assessment of its ingredients' relative importance. This final section will consider the 'vertical' and 'horizontal' extensions in turn.

There is no reason why the dynamic that this thesis has identified as underlying the emergence of supranational governance should be limited to the European Union. In line with regional integration theory more generally, the demand for economic governance beyond the nation state is seen here as a function of the transnational integration of market structures or, more precisely, of industry structures (Mattli 1999). The globalization of business strategies should generate calls for cross-border integration of market spaces by leading firms—a claim that is hardly disputed in International Political Economy. Such integration could take a variety of forms, ranging from simple market access abroad via mutual recognition of home country rules to transnational rule harmonization.

The added value of the competition politics approach is that it identifies those factors that push cross-border market integration and associated patterns of governance. For the case of financial services, with which we remain for the moment, it was argued that the regulatory preferences of national market incumbents—the firms dominating the domestic market segment—loom large in government policy and thus the structuration of markets and their governance. The central role of financial institutions in national economies and their privileged access to public policy is not limited to Europe. The same phenomenon is well-documented in

the (formerly) developmental states of East and South East Asia (Haggard et al. 1993) and in the US. The question therefore is: when would firms' demand for access abroad translate into mutual market opening through regulatory means?

For an answer, this thesis points to the structure of competition in the relevant sector. We would expect mutual market opening once the most important firms no longer compete with each other on the basis of their provenance, and a transnational 'conception of control' (Fligstein 2001) has emerged among them instead. That is, a new group of transnational market incumbents must have evolved for which regulatory barriers are no longer a means for managing competition but obstacles to further expansion, particularly at the expense of smaller firms that continue to thrive in national market niches. If former national incumbents have either developed such a business perspective or have lost their economic significance, so the implication of the competition politics approach, we can expect united calls for the demolition of regulatory barriers and, in more radical cases, integrated institutions for market governance.

In the field of transatlantic investment banking and capital markets, there is strong evidence that just this is happening (Mügge 2006). The largest global investment banks operate from two hubs—Wall Street and the City—regardless of their 'national background'. Globally, less than a dozen banks dominate the business, and apart from Deutsche Bank, UBS and Credit Suisse, all have an American background. Exchanges have also strengthened their transatlantic ties. The New York Stock Exchange took over Euronext in 2006 while NASDAQ made serious overtures to the London Stock Exchange the following year. For these firms, the regulatory barriers that still exist between the United States and the European Union are no longer competitive assets but a hindrance to the seamless integration of operations in their two most important markets. The competition politics approach suggests that the next steps towards integrated market governance will emerge along the Washington-Brussels axis.

Preliminary evidence supports this intuition. Whereas the SEC has long been loath to coordinate regulatory policy with authorities abroad (cf. Simmons 2001), it has recently begun to

make concessions to EU demands in the name of transatlantic convergence, for example in the field of accounting standards (Jopson 2007). CESR has entered negotiations with the Commodities and Futures Trading Commission, the US derivatives regulator, about facilitating transatlantic market access (Commodities and Futures Trading Commission 2005). And with most of the legislative work from the FSAP completed, one of the key areas for future work identified by the Commission in its 2005-2010 White Paper is the ‘external dimension’, with particular attention to the EU-US regulatory dialogue (European Commission 2005b, Interview 091205.b). Exploring the external role of the supranational bodies charged with policy-making in EU capital markets would not only complete the picture of public policy dynamics in the field, but would also allow a further testing and refinement of the hypotheses that underlie the competition politics approach in the first place.

The potential to refine the approach is even greater in a ‘horizontal extension’ of this study: comparing political dynamics in adjacent financial sectors as well as in wholly unrelated ones. A systematic comparison of banking proper, securities markets, insurance services and asset management—the four main categories into which financial services are divided in EU policy—would allow a much more fine-grained assessment of the importance and precise role of the different ‘variables’ that are relevant in overall market structuration. For example, what impact do non-regulatory barriers to competition, such as ‘cultural’ differences in retail banking, have on integration politics? Is there variation in associational patterns that accounts for differences between policy fields? Has it mattered that, on the whole, insurance companies are less close to governments and hence less able to tilt public policy in their own interest? And does the adoption of Lamfalussy-like arrangements for banking and insurance suggest institutional emulation as an independent force in the supranationalization of governance? Or have these other sectors simply reached a degree of industry transnationalization that made them ‘ripe’ for institutions similar to those in securities markets? A comparative study would allow insights into the functioning of these and numerous other variables and dynamics.



To be sure, there is no reason why such research should be limited to financial markets. At first sight, what makes financial firms ‘special’ compared to non-financial ones is their proximity to governments. It is far from implausible, however, that firms in other sectors may wield considerable influence over regulatory policy, particularly in sectors dominated by oligopolies or where states were previously dominant—utilities, telecoms, airlines, defence, etc. Indeed, with regard to interstate trade, the literature underscoring this point is abundant.

In any case, an extension of the approach suggested in this thesis, both vertically and horizontally, generates a research programme that links the abstract notion of structuration in political economy with a clear yardstick for empirical investigation. And systematic comparisons between cases, across ‘levels’ of governance and over time create an inferential leverage that promises to make further contributions to our understanding of how political economies evolve.