Preface

At an international workshop organized at the Oesterreichische Nationalbank (OeNB) in the fall of 2004, a team of international academics and OeNB practitioners in financial market regulation were discussing recent regulatory reforms in financial governance. While central bankers when investigating the impact of financial market regulation typically analyse issues of economic efficiency in terms of monetary and financial stability, the workshop, by integrating insights from financial economics, political science and sociology, introduced a novel notion into the discussion on regulatory reform. The workshop participants investigated the dynamics of inclusion and exclusion in recent regulatory reform processes, such as Basel II, the Lamfalussy process, pension reforms, the proliferation of financial literacy programs and the deregulation of derivatives markets.

Based on the papers presented at the workshop the authors of this book analyse the process of designing financial governance as contested terrain. The resulting institutional set up involves inclusion and exclusion. In the economic area, exclusion means not to be able (or at least being severely restricted) to participate in overall welfare of society. In the political area, for instance in the area of financial regulation, exclusion refers to affected groups that are not permitted to contribute effectively to financial market regulation. This fact has important consequences for processes of inclusion and exclusion more broadly.

The contributions in this volume show that major parts of society who are affected by regulatory reform are excluded under current governance arrangements. As financial governance does not only affect the financial sphere but has wide impact on society, financial governance has to be embedded in broad legitimisation structures, encompassing the participation or representation of a variety of interests affected by it, if they are to be deemed democratically legitimate. Furthermore, inclusion also has to show substantive effects on governance outcomes. We hope that this volume opens the debate about the future of financial market regulation in this direction.

The insights of this book should prove useful to a broad range of readers such as political scientists, economists, financial market participants, regulators and economic policy makers in general in the EU but also around the world.

Last but not least, our thanks go to all the presenters and discussants at the workshop and to the contributors to the book, as well as to all who have helped to make the workshop and the book become reality – in particular to Brigitte Alizadeh-Gruber.

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