

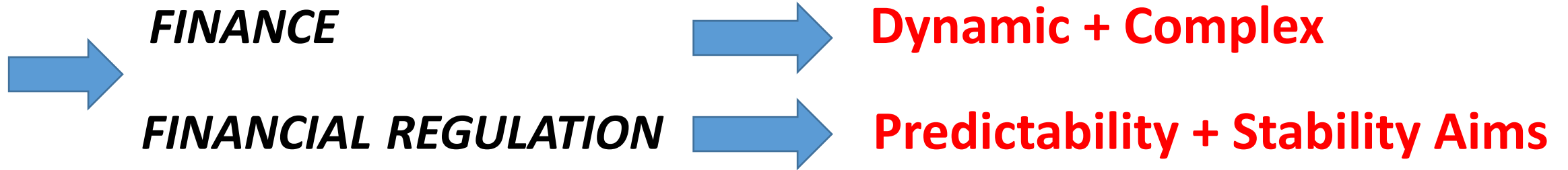
*Eastern Medicine for Western Finance:  
Rethinking Financial Regulation*  
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**Comment**

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# 3 Basic Claims

## - FUNDAMENTAL MISMATCH



## - REGULATORY INTERVENTION AGGRAVATES MISMATCH

**Unintended Consequences + No anticipation + Unknowns**

## - Proposal : New Type of Thinking

**Commissions**  *constituted once a decade*  
*more holistic approach*

# 1. Predictability + Stability in Financial Regulation

- **As a goal**

- Monopolistic regimes vs Regulatory competition
- The advantages of **legal uncertainty**

- **In practice**

- Empirical foundation (current state + impact)
- **Changes** in circumstances (markets, technology)
- **Preferences** vary among bureaucrats and judges

## 2. Regulation Aggravates 'Undesirables'

- **Dynamism**

- Is change/arbitrage **bad**? Makes finance more cyclical?
- **Direction** of the causation?

- **Complexity**

- Empirical foundation
- Market *Reg* adjustments and *non-Reg* evolution

- **Unknowns**

- Known unknown: Is more worse?
- Unknown unknown: Reg **'controllable'** when it matters

# 3. Commission

- **10 years Timeline**

- **Stop and go** vs On going work
- Role/scope/relevance of **data gathering**
- Decision-making **powers**? Effective/efficient **pre-crisis**?

- **‘New type of thinking’ Commissioner(s)**

- **Established** players: Same old, same old
- **Outsiders**: ‘Social’ minded, wiz kid, ignorant
- Just **one** great guy?

- **Humans vs Technology**

- **Regulatory capture** + **one size fits all** as critical issues
- **Blockchain** may not make that much of a  $\neq$
- **AI** could prove critical, but may lack ‘social’ relevance