7. Conclusions

The objective of this work was to determine whether there is a tendency toward the consolidation of powers of financial supervision into a single authority, so as to analyze its possible causes and effects.

The phenomenon does exist, especially if we consider the developed countries, and particularly those in Europe. Regarding the effects, this paper indicates that an increase in the degree of concentration may produce expected benefits but also expected costs, and the empirical estimate of those effects is arduous at this point, whether because the phenomenon has emerged only recently or because of the difficulty of identifying a satisfactory, exhaustive set of indicators of the possible consequences.

Furthermore, in methodological terms, precisely because any reform of the supervisory regime could produce expected benefits and costs, and the evaluation of these consequences is made by the policymakers who decide whether to maintain or reform their supervisory structure, we have adopted a political economy approach to the problem, so as to discern any common determinants of the decision to increase the degree of concentration of powers.

To do this, we first introduced a Financial Authorities' Concentration Index (FAC Index), to have an indicator of the degree of concentration of powers country by country. The comparative analysis of 69 countries, based on the FAC Index, confirmed the qualitative impression that an increase in the degree of concentration of powers was evident in the developed countries, particularly in the European Union, considering both the current 15 member states and the prospective enlargement to 25 members. Then, in order to consider the nature of the institutions involved in the control responsibilities – i.e. what role the central bank plays - it is introduced an index of the central bank's involvement in financial supervision, the Central Bank as Financial Authority Index (CBFA Index).

Each national regime can be identified with the two above characteristics. Two the most frequent models: countries with a high concentration of powers with low central bank involvement (Single Financial Authorities Regime); countries with a low concentration of powers with high central bank involvement (Central Bank Dominated Multiple Supervisors Regime). The descriptive analysis signals at least two results. First, in the financial supervision arena, the policy makers around the world choose to delegate this policy, rather than implement it directly. Second, the political choice on how many agencies have to be involve in supervision is strictly intertwined with the role of central bank: the degree of supervision consolidation seems to be inversely correlated with the central bank involvement.

Finally, to empirically gauge the possible structural determinants of the degree of concentration of powers, it is performed an econometric analysis of the Probit and Logit types. The econometric results seem interesting.

First, the probability that the degree of concentration increases is inversely proportional to the central bank involvement in the supervisory regime. The political choice on how many agencies have to be involve in supervision seems to be strictly intertwined with the role of central bank: the degree of supervision consolidation seems to be inversely correlated with the central bank involvement. How to explain – before to test it econometrically – these stylized facts? It has been argued that the reason of the trade off between the supervision consolidation and the central bank involvement is because of a fear that the safety net – central bank function of lender of last resort – might be spread to a wider set of institution than just banks if the central bank is also involved in supervising insurance and securities trading firm (blurring hazard effect). Furthermore, a political economy explanation could be add to this economic interpretation: in the country in which the central bank is deeply involved in supervision, the policy makers could fear the creation of a too much powerful bureaucratic agency, and therefore they prefer to have more supervision agency, and consequently a less consolidated supervisory regime (monopolistic bureau effect).

Second, the consolidation of financial supervision seems to be a more markedly European phenomenon, linked especially to the Germanic and Scandinavian roots of the legal institutions. The historical and institutional reasons that could explain the positive relationship between German and Scandinavian rules of law, on one side, and degree of supervision consolidation have to be further investigated.