

[I dreamed a dream of the FCA](#) [1]

Written by [Tim Ambler](#) [2] | Monday 29 April 2013



Last week, I dreamed of Financial Authorities that were good for Britain. Unlikely, I know, but in this fantasy The Financial Conduct Authority had given up on its mission to eviscerate the UK's financial services and embarked on a crusade to make them stronger. This Paulene conversion had begun with the Treasury's brief to strengthen competition, particularly in the banking sector. This was puzzling for them as they had previously been trying to standardise everything. But competition is about choice and choice means allowing businesses to be different.

Albeit fewer than before the regulators started interfering, we still have four big banks but customers mostly do not transfer because they think they are all the same.

Economics is not just the dismal science; it is the dead science. In the world of economics everything is standardised except the price. The mortgage market is a bit like that. Either firms match and therefore do not compete, or they compete, prices are driven down and they go bust. The science of the living, however, i.e. biology tells us that firms compete through evolution. They change and adapt and the ones that best adapt to the environment, i.e. the market, thrive. They compete by better meeting customer needs, that allows premium pricing and that in turn prompts innovation and further growth.

Contrast that with the FCA view that premium pricing is wicked and should be stopped at once. In almost every consumer market the brand leader is also premium priced. That is not because consumers are stupid but because they want what they consider to be best. They are the judges, not some arbitrary quango in Canary Wharf.

When the FCA woke up to the need to promote differences, not destroy them, they changed their working lives. No longer did them spend them inventing new regulations to inflict on financial services, they began removing the ones we do not need. That turned out to be almost all of them. The FCA staff had never been so busy.

Fired up with enthusiasm, they took their crusade to Brussels. 'Either,' they said, 'we need the regulations in which case the whole world does. Or the rest of the world does not need these regulations, and therefore, nor do we.' Joy broke out across the regulators' offices and also those of the financial services sector. And consumers were the happiest of all.

Then I woke up.

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