

Regulation And Financial Crisis In Development Countries

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The subject of regulation has been one of the most contentious, with critics arguing that regulations interfere with the efficiency of the market, and advocates arguing that well designed regulations not only make markets more efficient but also help ensure that market outcomes are more equitable

As the financial crisis continues to unfold, there is a widespread notion that the free market has failed and that the government must intervene to rescue the economy from collapse. This sentiment, however, is utterly false, and the consequences of such belief will only bring about greater trouble for the American economy. The financial crisis has not come about by market failure; instead, the failure of government through a series of unwarranted and detrimental interventions has perturbed the economy, inevitably creating the current crisis. The increasingly interventionist government has violated its limited role established by the United States Constitution. This has occurred in the form of vast regulatory burdens, excessive legislation, and discretionary actions of the Federal Reserve. In every instance, the growth of the State has inhibited and skewed market incentives, harming the economy and restricting liberty. Thus, the solution to the financial crisis does not lie within greater public action and response; instead it is the free market which contains the remedy. The objective of this paper is therefore to describe the relationship between regulation and current financial crisis in OECD countries. This study will use the growth previous period share price as a measure of the severity of the crisis.

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