

The Limits of Interest: Capture, Financialization, or Contestation in the Politics of Rule-Making for Derivatives

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Abstract: This paper combines Latent Dirichlet Allocation (LDA) topic modeling with deep case knowledge to examine the public comments submitted to the Commodity Futures Trading Commission (CFTC), 2010-2014, in response to proposed rules for implementing the Dodd-Frank Act in the wake of the financial crisis of 2008. The literature on regulatory implementation emphasizes the preponderance of concentrated industry actors compared to other groups in shaping the rule-making process. The CFTC's efforts to create a new regulatory regime for derivatives allow us to compare the commenting activity of the incumbent investment banks to a broad range of other organizations. The paper develops a 17-part typology of industry segments and non-industry groups – considerably more fine-grained than other studies of regulatory implementation. We then assemble the comments submitted to this key agency into a comprehensive corpus of 36,066 comments. By combining our typology with a LDA topic-modeling approach, we can accurately map the commonalities and divergences in commenting topics among different commenting groups. We find that the complex cross-cutting patterns within the business sector are far less conspicuous than a clear cleavage in the willingness of different types of commenters to address the moral dimensions of market behavior. These results lead us to argue that we must move past the limits of interest-based concepts such as regulatory capture and more recent theories of financialization and instead focus on moral contestation as a significant determinant of regulatory issue framing.

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