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Consumer Financial Protection

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Abstract

The recent financial crisis has led many to question how well businesses deliver services and how well regulatory institutions address problems in consumer financial markets. This paper discusses consumer financial regulation, emphasizing the full range of arguments for regulation that derive from market failure and from limited consumer rationality in financial decision making. We present three case studies—of mortgage markets, payday lending, and financing retirement consumption—to illustrate the need for, and limitations of, regulation. We argue that if regulation is to be beneficial, it must be tailored to specific problems and must be accompanied by research to measure the effectiveness of regulatory interventions.

Citation

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JEL Classification

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D18 Consumer Protection

G21 Banks; Other Depository Institutions; Micro Finance Institutions; Mortgages

G28 Financial Institutions and Services: Government Policy and Regulation

L51 Economics of Regulation