

REGULATORY CAPTURE: WHEN WATCHDOGS BECOME LAPDOGS

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ABSTRACT

Regulatory capture occurs when a government agency, established to act in the public interest, instead advances the commercial or political concerns of the industry it regulates. This phenomenon undermines democratic accountability, distorts market competition, and erodes public trust. This article explores the mechanisms, consequences, and global examples of regulatory capture, highlighting the need for institutional reforms, transparency, and civic oversight to restore the integrity of regulatory bodies.

Keywords: Regulatory Capture, Public Interest, Lobbying, Government Oversight, Corruption, Industry Influence, Watchdog Agencies, Democratic Accountability.

INTRODUCTION

Regulatory agencies are designed to serve as neutral arbiters, protecting consumers, workers, and the environment from harmful practices. However, when these agencies begin to favor the industries they oversee—whether through lobbying, revolving doors, or political pressure—they risk becoming instruments of corporate power rather than guardians of public welfare. This phenomenon, known as regulatory capture, poses a serious threat to democratic governance and economic fairness (Attamimi, 1990).

Regulatory capture is a form of government failure where regulatory agencies prioritize the interests of regulated entities over those of the general public. It can occur subtly through biased rule-making or overtly through collusion and corruption. Officials move between regulatory agencies and industry roles, creating conflicts of interest. Industries influence legislation and regulation by funding political campaigns or lobbying lawmakers. Regulators rely on industry data and expertise, which can skew decision-making. Elected officials may pressure agencies to favor influential donors or economic sectors (Andriyani, 2017).

The 2008 financial crisis exposed deep regulatory failures. Agencies like the Securities and Exchange Commission (SEC) and Federal Reserve were criticized for being too close to Wall Street. Deregulation, lax oversight, and industry-friendly policies contributed to systemic risk and economic collapse. In India, environmental regulatory bodies have faced criticism for approving industrial projects despite ecological concerns. The dilution of environmental impact assessments and fast-tracking of clearances suggest undue influence from corporate interests (Ferejohn et al., 2004).

The collapse of the Brumadinho dam in 2019, which killed hundreds, highlighted regulatory capture in Brazil's mining sector. Investigations revealed that safety warnings were ignored and oversight agencies had close ties to mining companies (Isra, 2019).

The EU has struggled to regulate tech giants like Google and Meta. Despite antitrust fines, critics argue that lobbying and legal maneuvering have slowed meaningful reform, allowing monopolistic behavior to persist (Kusnardi et al., 1994).

CONCLUSION

Regulatory capture transforms watchdogs into lapdogs, compromising the very purpose of regulation. In an era of rising corporate power and political polarization, safeguarding regulatory integrity is more urgent than ever. Through institutional reform, civic vigilance, and technological innovation, societies can reclaim the public interest and restore trust in governance.

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