

*The Objectives of Economic Regulation: Feasibility and  
Public Acceptability*

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# The changing nature of economic regulation

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# SNOUT YOU GO



## Shareholders in bid to sack gas supremo

By MARK WOOD

ANGRY British Gas shareholders yesterday voted to ditch bosses with their snouts in the trough.

Thousands called for £475,000-a-year chief executive Cedric Brown and his fatcat cronies to be booted out.

They even brought along a pig called Cedric to show their disgust at the British Gas AGM.

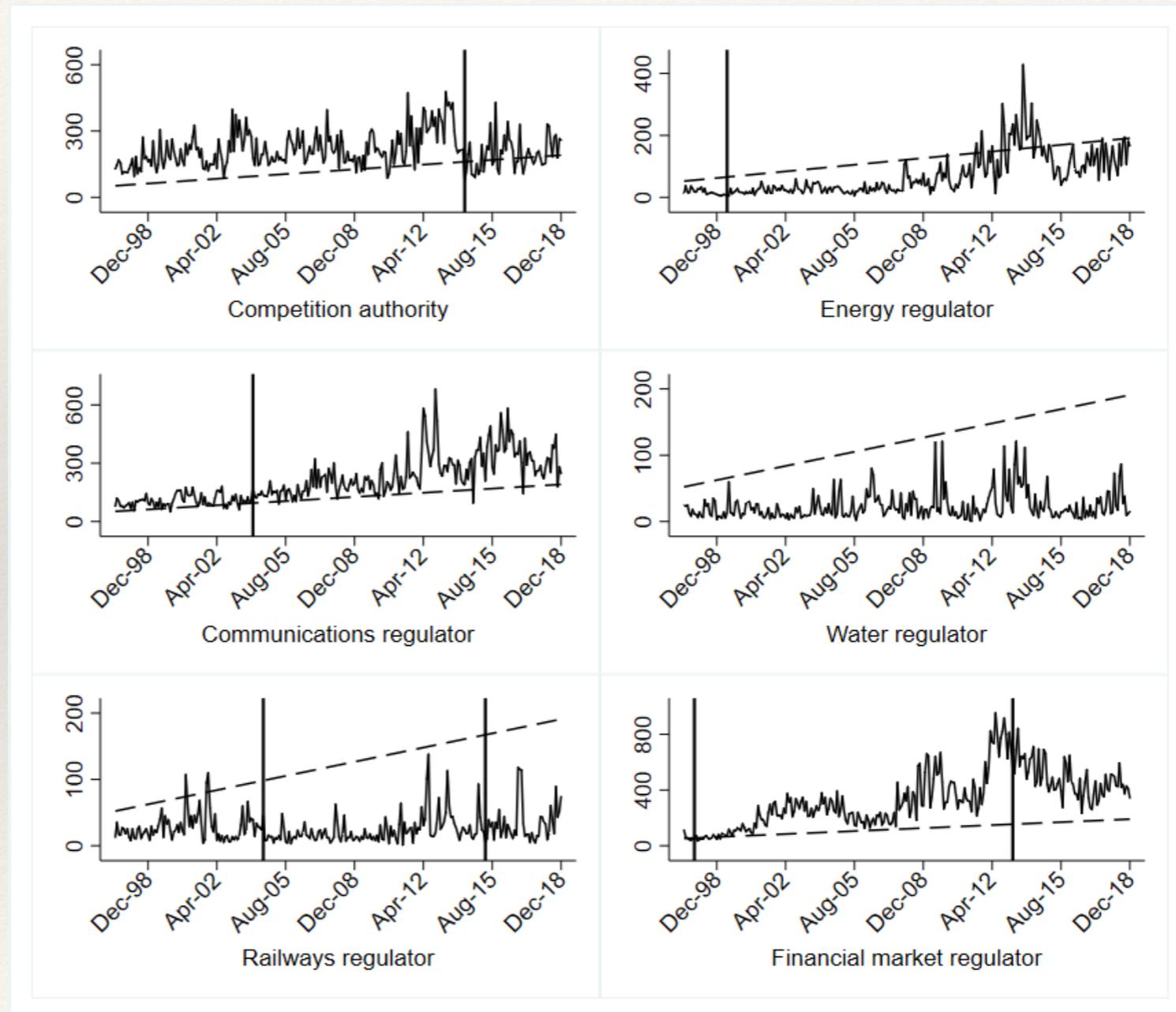
An 40st Cedric stuffed his face from a bucket labelled

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You trotter . . . Cedric Brown was rapped

# ‘Politicisation’

- increased attention
- - more volatility



# From 'responsible' to 'responsive' regulatory state?

	Responsible regulatory state	First-order change	Transformative second-order change	Replacement-style second-order change
<b>Type of change</b>		Dynamic conservatism	Incremental, with considerable discontinuity as result	Abrupt, with far-reaching discontinuity as result
<b>Status of regulation</b>	Technical	Technical	Technical with recognition of distributive implications	Political
<b>Relationship with government</b>	Trustee	Trustee with some acceptance of need for political responsiveness	Trustee with mutually agreed understandings over spheres of influence	Agent
<b>Emphasis of regulatory decision-making</b>	Competition to enhance efficiency and aggregate consumer welfare	Competition central, but differentiated analysis of market failures and distributive outcomes	Broad conception of consumer welfare and protection	Supporting political objectives
<b>Key instruments</b>	Econocratic analysis	Primacy of econocratic analysis, supplemented by behavioural insights	Econocratic and participatory instruments on equal terms	Evaluation of public preferences, including customer engagement and outreach
<b>Legitimacy basis</b>	Aggregate economic outcomes	Aggregate and disaggregated outcomes; communication to explain	Economic outcomes broadly defined; widened engagement as input	Responsiveness to public preferences; regulators as 'thermostat'
<b>Nature of accountability</b>	Ex post, performance-based reporting to parent department	Ex post, performance-based reporting to wider audiences	Broad ex post reporting (beyond performance) to diverse stakeholders	Political (ex ante and ex post) control; societal accountability

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# Regulatory responses

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- ❖ Broad themes
  - ❖ acceptance of greater politicisation - remit, price hikes post-financial crisis [formalisation of relationship]
  - ❖ questioning of problem-solving capacity of emphasis on competition
  - ❖ emphasis on customer engagement & vulnerability - acceptance of distributional consequences of economic regulation as part of remit

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# Towards 'responsive' economic regulation?

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	<b>Responsible regulatory state</b>	<b>Observed changes</b>
<b>Status of regulation</b>	Technical	Shift towards regulation as tool to address broader demands on political system (e.g., low energy prices, carbon reduction, regional broadband)
<b>Relationship with government</b>	Trustee	Shift towards acceptance of areas of mutual interest/ definition of respective roles
<b>Emphasis of regulatory decision-making</b>	Competition to enhance efficiency and aggregate consumer welfare	Shift towards more differentiated consumer needs, especially regarding 'vulnerability'
<b>Key instruments</b>	Econocratic analysis	Shift towards greater role of communication and customer engagement
<b>Legitimacy basis</b>	Aggregate economic outcomes	Shift towards responsiveness to broader and differentiated public needs and demands
<b>Nature of accountability</b>	Ex post, performance-based reporting to parent department	Shift towards broad (voluntary) account-giving to diverse stakeholders

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# Implications

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- ❖ No 'de-delegation'
- ❖ Shift beyond dynamic conservatism
- ❖ Shift away from 'responsible' but not quite 'responsive' (yet?)