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Regulation vs. Self-help: A natural experiment

The debate about the regulatory state rarely extends to detailed discussion of architectures and their efficacy, still less about the role of courts. Yet two models have emerged: public enforcement through a publicly appointed regulator and enforcement of the same rules by private individuals through the courts. This paper reports on what can be learned about their respective merits through a natural experiment arising from the German energy market. The German energy sector provides us with a natural experiment because a sector regulator was introduced relatively late, 2005, and after considerable pressure from the European Commission. Thus we observe a transition from an ownership state characterised by a large element of self-help to a regulatory state.