

Lecture 7. Regional regulation and regulatory competition

Concept of regulatory competition

Regulatory competition, also called competitive governance or policy competition, is a phenomenon in law, economics and politics concerning the desire of lawmakers to compete with one another in the kinds of law offered in order to attract businesses or other actors to operate in their jurisdiction.

What does regulation mean in economics?

“Economic regulation” refers to rules that limit who can enter a business (entry controls) and what prices they may charge (price controls).

How does regulation affect competition?

Regulation can affect competition negatively by altering firms' incentives to act as rivals. For example, restricting a business from expanding its market share or growing its profit may reduce the vigour with which that business competes against other businesses.

Why is regulation a competition?

Three justifications are normally given for regulatory competition: firstly, it allows the content of rules to be matched more effectively to the preferences or wants of the consumers of laws (citizens and others affected); secondly, it promotes diversity and experimentation in the search for effective legal solutions.

How does competition regulate the economy?

It contributes to economic growth and transparency. It ensures competitive markets. Consumers' voices are heard in that their decisions determine what products or services are in demand. Supply and demand create competition, which helps ensure that the best goods or services are provided to consumers at a lower price.

Why do regulators protect competition?

Antitrust laws protect competition. Free and open competition benefits consumers by ensuring lower prices and new and better products. In a freely competitive market, each competing business generally will try to attract consumers by cutting its prices and increasing the quality of its products or services.

How does government regulate competition?

The government may wish to regulate monopolies to protect the interests of consumers. For example, monopolies have the market power to set prices higher than in competitive markets. The government can regulate monopolies through: Price capping – limiting price increases.

Why is regulation important in economics?

Regulations are indispensable to the proper function of economies and societies. They create the “rules of the game” for citizens, business, government and civil society. They underpin markets, protect the rights and safety of citizens and ensure the delivery of public goods and services.

What are examples of regulations?

Common examples of regulation include limits on environmental pollution, laws against child labor or other employment regulations, minimum wages laws, regulations requiring truthful labelling of the ingredients in food and drugs, and food and drug safety regulations establishing minimum standards of testing and quality

for what can be sold, and zoning and development approvals regulation. Much less common are controls on market entry, or price regulation.

What are the regulations that promote competition?

Competition law is the field of law that promotes or seeks to maintain market competition by regulating anti-competitive conduct by companies. Competition law is implemented through public and private enforcement. Competition law is known as "antitrust law" in the United States.

What is government regulation and deregulation?

Regulation is the process of governments passing laws to control certain activities, often restricting some business activities. Deregulation is the opposite process of governments removing these restrictions and granting businesses greater freedom.

What is meant by competition policy?

Definition. Competition policy governs how businesses interact with both consumers and each other. A country's competition policy is the sum of its competition laws, which proscribe anti-competitive behaviour, and the effect that its public policy may have on competitive processes in the economy.

How does competition lead to economic growth?

When firms compete with each other, consumers get the best possible prices, quantity, and quality of goods and services. Innovation also benefits consumers with new and better products, helps drive economic growth and increases standards of living.

Which situation is the best example of regulation in an economic system?

What is the best example of regulation in an economic system? Regulation The government can set regulations of any kind in any industry. An example would be the government regulation that states seatbelts and airbags are mandatory in the automobile industry.

How does perfect competition affect the economy?

Under perfect competition, there are many buyers and sellers, and prices reflect supply and demand. Companies earn just enough profit to stay in business and no more. If they were to earn excess profits, other companies would enter the market and drive profits down.