Regulation, Public Service Provision and Contracting

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This course deals with the way the government regulates the provision of service in a market economy, either because it is a public good, or because competition could yield inefficiencies (e.g. systemic collapse). Instead of providing exhaustive views of the different economic theories of regulation and public service, it provides insights of the main trade-offs at stake relying on institutional and organizational economics. Contract, regulation and institution theories will be alternatively relied upon to introduce the audience to the main theoretical and applied issues.

Class 1. Incentives and regulation
MONDAY 5 MAY, 11.00-13.00

The aim of this class is to introduce classical contracting issues that arise because of asymmetric information problems. An introduction to the functions of a regulator, as well as its regulation tools will be addressed.

** read in priority


Class 2. Theory: Contracting for public services: transaction costs and regulation by incomplete contracts
Wednesday 7 May, 11.00-13.00
The aim of this class is to present the franchise bidding solution proposed by (Demsetz 1968) and the theoretical answer given by the transaction cost theory (Williamson 1976). New development provided by the incomplete contract theory will be presented too.


Class 3. Empirics: Contracting for public services: transaction costs and regulation by incomplete contracts (2 hours)
Friday 9 May, 11.00-13.00

The aim of this class is to give an introduction to empirical developments around the issues of contracting for public services. An application to the new European Directive on concession contracts will be provided.


Class 4: Contracting with the Government: Collusion, Lobbying, Third Party Opportunism, ...
Monday 12 May, 11.00-13.00

Any ‘contract’ between the Government and a firm — whether it is question of public procurement, provision of public service, or regulatory constraints — raises issues because of the specific nature of the Government, that is both one of the contracting party, and the last resort enforcer of the regulation. Moreover, the politicians and bureaucrats are subject to political and organizational constraints, which generate specific contracting risks. The consequences of “governmental failures” will be introduced in this class.
Political Economy of Regulation and Market Institutions

Wednesday 14 May, 11.00-13.00

Markets are non-neutral complex social technologies. The organization and regulation of markets by the governments cannot be understood if ignoring the political economy of institutions. The political origin of markets explains why the political background frame the issues to be dealt with, and the feasibility of any policy or reform. This class will introduce the political economy of the manufacturing of markets.
