

# **Infrastructure and Regulations**

(September 14 Session)

**Professor Karen R. Polenske**

# Where are we?

- Last time: market v.s. state  
private goods v.s. public goods
- Focus of this class session:  
**Infrastructure, Property Rights and  
Regulations**

# Review of Articles

## The **Tragedy** of the Commons

### **Key concepts:**

- Social cost vs. private cost
- Externality (negative vs. positive)
- Collective action problem

# Review of Articles

## The ~~Tragedy~~ of the Commons

- The State -- Public Ownership
- The Market -- Private Ownership

# Review of Articles

## The Tragedy of the Commons?

# Re-interpreting the commons

- Elinor Ostrom, Winner of 2009 Nobel Memorial Prize in Economic Sciences
- Ostrom, 1990. *Governing the Commons*.

# Review of Articles

- How does this article connect to infrastructure issues?
- More on property rights– a bundle of rights

# Have a catchy title!

**“The Tragedy of the Commons” (Hardin, 1968)**

• **“The Comedy of the Commons” (Rose, 1986)**

• **“The Tragedy of the Anti-commons” (Heller, 1998)**

• **“Semi-common Property Rights and Scattering in the Open Fields” (Smith, 2000)**



# Review of Articles

**Posner, 1974. Theories of Economic Regulation.**

**What are regulations? What explains government regulations of economic activities?**

# Review of Articles

**Posner, 1974. Theories of Economic Regulation.**

**What are regulations? What explains government regulations of economic activities?**

**Heads chopped:**

- **“public interest” theory**
- **“capture” theory**

# Review of Articles

Posner, 1974. Theories of Economic Regulation.

**What explains government regulations of economic activities?**

➤ **Shoulder(s) stood on:**

**Economic analysis of the political system (interest group theory)**

➤ **Posner's argument**

# Review of Articles

United Nations. 2001. *The Economic Regulation of Transport Infrastructure*.

- What are some of the reasons why regulation is needed?
- Give an example of why regulation is needed in each of the following:
  - Health
  - Safety
  - Environmental protection

# Review of Articles

United Nations. 2001. *The Economic Regulation of Transport Infrastructure*.

Discuss the following regulation strategies:

- Competition laws
- Franchises
- Taxation
- Contracts
- Loans
- Tradeable permits

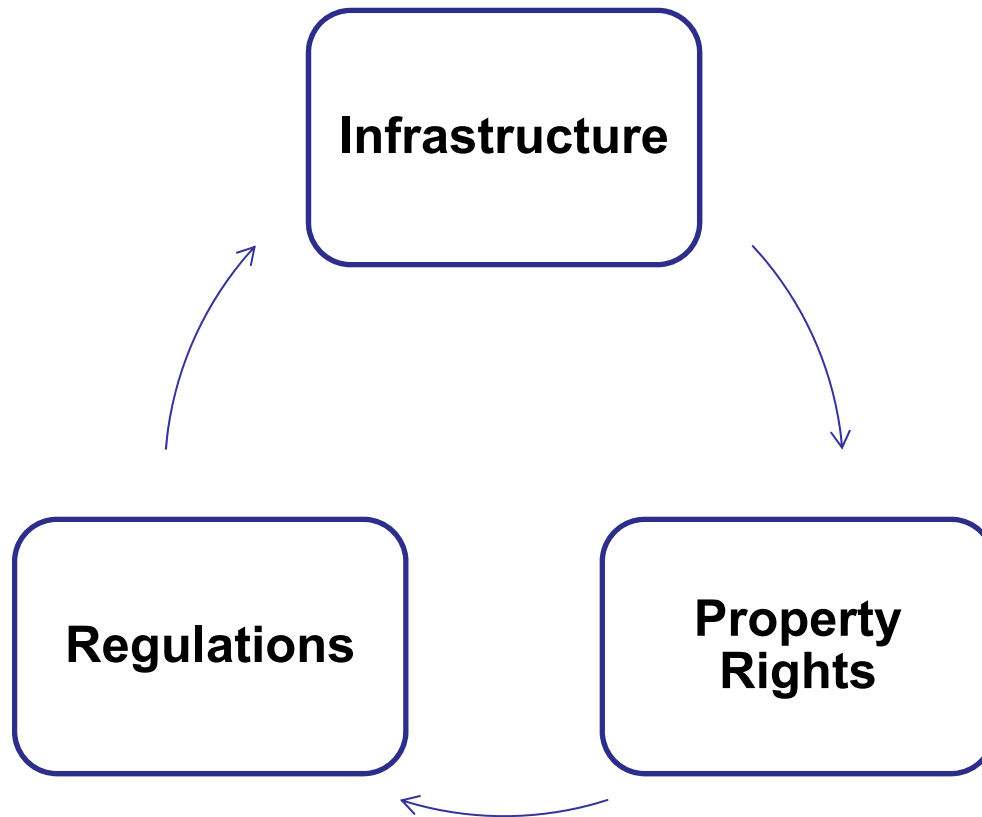
# Review of Articles

United Nations. 2001. The Economic Regulation of Transport Infrastructure (cont'd.)

**Are large firms easier to regulate through the use of tradeable permits than small firms? Under what conditions?**

**In environmental agencies, “command and control” is sometimes replaced by “incentives.” Discuss the costs and benefits of each. (e.g., South Coast Air Quality Management District – SCAQMD--in Los Angeles)**

# Tying it together



# Where are we?

- Concluded the introduction part
- Will examine the part on Infrastructure, Economic Stimulus, and Development



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