

# The Appropriate Division of Regulatory Labor

Tim Brennan

Professor Emeritus, School of Public Policy, UMBC

[brennan@umbc.edu](mailto:brennan@umbc.edu)

31<sup>st</sup> Conference on Postal and Delivery Economics

Florence School of Regulation  
European University Institute

Center for Research in Regulated Industries  
Rutgers Business School

Gdańsk, Poland  
24 May 2023

# What's to come

- Environmental protection/GHG footprint?
  - Not your job
  - How can you make the trade-offs?
- Employment effects
  - When did you become macroeconomists?
  - “Jobs” good or bad?
- Distributive justice
  - Do you really have much of an effect?
  - Effort in the wrong place?

# Stories from the dinosaur era

- Early awareness from beginning days as an Antitrust Division economist
- Steel mergers: Let through because higher steel prices => less pollution?
- Beer mergers: Let through because higher beer prices => less drunk driving?
- TV broadcaster collusion on advertising time: Better to have fewer ads?
- Of course not -- but why?

# Everyone doesn't do everything

- Back to the source: Adam Smith and the "division of labor"
- Three reasons
- "Dexterity": People work better who specialize
- Avoiding switching between tasks
- "Machinery": Can apply specialized equipment
- How do these apply to regulation?

# The division of regulatory labor

- “Dexterity”
  - Specialization important
  - Antitrust agencies know about competition, but not tradeoffs with emissions, driving safety, communications market failures
- “Machinery”
  - Different skills needed to understand different effects
  - Merger simulation vs. hedonic pricing?
- Switching between tasks? More below

# Environmental and postal policy

- Incorporating carbon footprint considerations a common theme
  - Parcel delivery vs. shopping
  - EV in delivery fleet
- No issue with responding to consumer preference
- How much in cost to impose to reduce footprint by 10%? 50%? 100%?
- Let regulator set the price

# Employment as regulatory goal

- “Create jobs”; “green jobs”
- How does one know macroeconomics?
  - Involuntary unemployment/recession?
  - Net job effects—stadium studies
- Is “more jobs” a good thing?  
Posner testimony story
- How many thousands or millions of person-years will it take to achieve regulatory objective?  
Is a bigger number good?

# Affordability and distributive justice

- **Wider recognition of distributive effects**
  - Affordability in postal
  - Environmental justice, antitrust
  - Income or disadvantaged groups in US
- **Proposed (vague) incorporation in US regulatory assessments**
- **Magnitude: Old telephone story**
- **Other policies to redistribute wealth**



# Adding objectives in competition law

- “Distribution” not new, “consumer” vs. “total welfare”
  - But rejection of efficiency is
- Alternatives proposed include:

Fairness	Political power imbalance	Income inequality
Anti-globalization	Labor share of income	Jobs
Competition as process	Consumer choice	Managerial competence
Media veracity	Environmental sustainability	Mitigating consumer error

# What about competition advocacy?

- Exception to the “division” rule?
- Competition authorities telling regulators to take competition into account
  - Grandfathering environmental, other rules
  - Technological neutrality
- What makes this different from environment relative to postal?
  - No “price” available, like an emissions cost
- Coase lesson: Internalize vs. market

# Other potential limits on division

- **Moral obligation**
  - Don't run over pedestrians in delivery trucks, apart from liability
  - Carbon footprint—but how much
  - But what about probabilities—VSL?
- **Policy vacuum**
  - Suppose environmental agency not on it
  - But dexterity, machinery problems still there
  - N<sup>th</sup> best policy “theorem”
- **Substituting views for the public's**

# Summary

- Issue NOT the importance of other goals
  - Climate change
  - Mitigating recessions and maintaining demand
  - Distributive justice
- Issue only whether a (postal) regulator can should pursue these
  - Gets in the way of what they can do
  - Both control market power and promote USO
  - Other places can do it better