Regulation in India:
Problems and solutions

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Abstract

Regulation is all over the Indian economic landscape, and it is often conducted by 'statutory regulatory authorities'. In this paper, we examine regulation in India through the lens of public economics, public administration, and the rule of law. Under conditions of market failure, there can be a case for state intervention through regulation. State failure in regulation can deliver various kinds of suboptimal outcomes including deficiencies on the rule of law, central planning and market failure. When regulatory organisations are constructed without adequate checks and balances, state personnel respond to incentives that yield arbitrary power, central planning, and organisational failure. Progress necessitates a departure from output-level engagements with regulatory staff. Root cause solutions require structural reforms to the laws governing regulators. The analysis delineates a framework for regulatory design grounded in the rule of law, separation of powers, and state capability. We need to go from the why of regulation (the economic ideas of market failures) to the how of regulation (which harnesses political science, law and public administration).

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