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## **מדינת רוחה רגולטורית?**

**רגולציה וחלוקה מחדש במשטרי הרגולציה בחשמל בישראל בריטניה ושבדיה**

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# **Regulating for welfare**

**A comparative study of social regulation in the electricity sector in Israel, the UK and Sweden**

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## **Abstract**

This paper stands at the junction of two usually separate kinds of literature: the politics of regulation and the politics of the welfare state. It aims to analyze the interaction between redistributive and regulatory politics in the context of the economic liberalization of the Israeli, British and Swedish electricity sectors. The discussion is grounded in Majone's (1997) thesis on the transition from the "positive state" to the "regulatory state" since the 1970's. This transition, argued Majone, signified a fundamental change in western governments' involvement in the economy: a shift from direct involvement, often through the ownership of nationalized industry, to the regulation of privatized and liberalized markets: from redistribution and macro economic stabilization to the enhancement of economic efficiency. This shift was especially apparent in the network utilities, such as electricity, where nationalized service providers once served also as platforms for the pursuit of national and social goals. After liberalization, competition and private ownership now make non economic goals incompatible with the new structure of these sectors and with the role of regulator assumed by the state.

In order to assess this transformation, this thesis compares the welfare and regulatory implications of liberalization on the electricity sector in Israel, the UK and Sweden. The analysis of the regulatory regimes in these three countries is grounded in the distinction between different types of welfare state on the one hand (Esping-Andersen, 1990) and a distinction between social and economic regulation (Eberlein, 1999). The aim of this comparison is three fold: to identify the main characteristics of the regulatory welfare regimes that emerged after liberalization, to determine the distributive and regulatory principles underlying the design of these regimes, and to point to the forces, actors and institutions principal to the design of these regimes.

Analytically I distinguish between three layers of regulatory-welfare provision. The first layer involves a basic level of consumer protection, mainly limiting the service provider's ability to disconnect consumers from service. The second (assistance-for-electricity) involves some financial assistance to consumers struggling to pay their energy bills. The third (assistance-through-electricity) uses the electricity sector as a platform for

redistribution to vulnerable citizens. The first layer of consumer regulation was found in all three cases reviewed, the second layer of regulatory welfare provision was used primarily in the UK, and the third layer of regulatory welfare was found in Israel.

The differences between Sweden (where there is only a limited measure of distributive burden on electricity suppliers and consumers) and Israel and the UK (where this kind of regulation is common), are explained by arguing that relatively low levels of overall social expenditure (as in Israel and the UK) are conducive to the development of regulatory welfare institutions. State traditions and national institutional characteristics explain the differences in the development of the regulatory-welfare regimes in Israel and the UK.

Two main conclusions are drawn from these findings. First, even in an era of liberalization and focus on economic efficiency, policy makers use regulatory tools in order to achieve welfare goals, even where these measures are economically inefficient, especially when the use of traditional welfare policy tools is not feasible. This may be seen as a return of the welfare state through regulatory means. Second, it is argued that the existence of a strong, social democratic welfare state may in fact act as a facilitating factor in promoting economically efficient regulation of competitive markets.\*

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