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Regulatory independence may limit electoral holdup but entrench capture

Author and speaker:

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The seminar will be held in the

Great Hall of Banka Slovenije

on Thursday, 23 April 2026 at 14:00

Abstract:

Private infrastructure investment is profitable only if followed by a sufficiently high price, but pricing may be subject to regulation. If price regulation is subject to political manipulation, then private investors may delay investment fearing an electoral pressure on future prices, leading to a holdup inefficiency. This could possibly be alleviated by regulatory independence. However, to encourage investment the policymakers may install regulation that serves the interests of the infrastructure owners ("regulatory capture") and lead to inefficient pricing. Regulatory independence can then be detrimental as it may entrench this capture. We provide experimental evidence for such capture entrenchment and detrimental effects of that therefore arise. Even without independence, the uninformed voters do not provide sufficient pressure to remove these effects. On the other hand, we observe that regulatory independence does reduce holdup inefficiency when policymakers align with the consumer interest.

About the author:

Aljaž Ule is an associate professor of Economics at Universities of Primorska and Amsterdam, applying game theoretic analysis and laboratory experiments to investigate market organization with boundedly rational participants. He is a graduate of applied mathematics from University of Ljubljana, completed a master program at University of Twente and a PhD program at Amsterdam School of Economics. Before his tenure he worked at the Institute for Economic Analysis in Barcelona and completed research visits at the New York University and at Caltech. His research was supported by personal research grants by the Dutch science foundation NWO and the Slovenian Science foundation ARRS. It explores the emergence of reciprocal relationships and cooperation in the absence of formal contracts, money illusion, stability of investment under electoral pressure on regulation, theories of bounded rationality and cultural variation in behavioural strategies.

How to sign up:

To sign up for the seminar, please send an email to seminar@bsi.si. You can sign up by Wednesday, 22 April 2026. The seminar will be held in English.