

## **A pluralist approach to the Economics of Regulation: The Key to Effective Regulation without Red Tape?**

**Henry Leveson-Gower, Defra**

Seminar at DEFRA, Rm 808, Nobel House, 17 Smith Square, SW1P 3JR  
5.30 (for 6.00) - 9.00 p.m., Tuesday 20<sup>th</sup> September 2016

At this seminar, Henry Leveson-Gower will discuss how different 'brands' or approaches to economics affect the approach taken to regulation. Clearly the importance of behavioural economics is well established although there are debates about its interpretation. More recently institutional, evolutionary and complexity economics have also gained profile. Henry believes that using the understanding from these different approaches can help deliver more effective regulation with less red-tape. The biggest challenge may be how you get there from a place of extensive red-tape and problematic cultures; the question of evolution of approaches rears large. Henry will particularly use the example of water abstraction reform to illustrate the challenge and application while also touching on the challenges of economic and financial regulation to contrast and compare. He will also discuss the potential to use Agent Based Modelling to explore these issues and develop change strategies.

### **Speakers**

#### **Chair:**

**Cathryn Ross, Chief Executive, Ofwat**

Cathryn is the Chief Executive of Ofwat, the independent economic regulator for the water and waste water sector in England and Wales.

She is responsible for ensuring that Ofwat holds a £120 billion industry to account in delivering against the expectations of customers, wider society and the environment. She has seen through the delivery of a new strategy for Ofwat, focused on a vision for the sector of trust and confidence in water and waste water services. This involves a new model of regulation, to better help the sector deal with the challenges of the future. This model gives the sector greater flexibility, including through use of markets, but also requires it to provide information and assurance about its performance and resilience.

Cathryn is an experienced regulatory and competition economist and has worked across a number of different sectors advising on economic, regulatory and competition issues. Previously, Cathryn was Executive Director of Markets and Economics at the Office of Rail Regulation (ORR). She was Executive Director of Markets and Economics at Ofwat between 2008 and 2011. She also served with the Competition Commission (now Competition and Markets Authority), and worked in economic consultancy.

#### **Presenter:**

**Henry Leveson-Gower, Head of Abstraction and Upstream, Defra**

Henry has over 15 years of experience in regulatory policy in a range of areas applying latest economic thinking, most recently leading innovation across Government in using Agent Based Modelling. This paper is the combined result of his experience and research into the implications of emerging fields of economic thinking. He currently

leads on abstraction and upstream policy for the UK Dept of Environment, Food and Rural Affairs (Defra), for the last 5 years leading radical reform of the water abstraction regime. He is also coordinator of Heednet, which he set up in 2003 to promote better understanding in policy circles of the benefits to policy of economic thinking outside neo-classical economics. Prior to joining Defra, he worked for a consultancy, GHK, as a principle specialising in environmental economic policy. Previously he worked for 8 years as an economic analyst and manager at the Environment Agency supporting policy on water, waste and regulation. He is also a qualified chartered accountant as well having trained as an economist after a first degree in Philosophy.

## **Discussants:**

### **Martin Hurst, Independent**

A professional economist (nay econometrician), Martin has a wide civil service experience in the Treasury, Number 10, and environment. In addition to 12 years as a government economist, Martin has run policy on water and air quality, been the senior advisor to the PM on environment, housing and planning, set up natural England as shadow CEO, and had 4 years as commercial and projects director in Defra.

Outside government he has held a number of board NED roles, including in housing, and community fora.

He is currently among other things an associate of Indepen, external advisor to Water UK and the Commons Environmental Audit Committee, and chair of treasury for BPHA.

Particular current interests in economics include on project appraisal, regulation and consumer engagement.

### **Kevin James, Economist, FCA**

Kevin is a financial market economist at the FCA and a research fellow at the LSE's Systemic Risk Centre and Financial Markets Group. His research focuses upon the relationship between financial markets and economic performance, corporate finance, and systemic risk modelling. His research has appeared in leading journals such as the Journal of Finance and the Journal of Money, Credit, and Banking.

Kevin currently coordinates the research program for the FCA's Chief Economist's Dept. He has previously managed the financial stability program at the Bank of England's Centre for Central Banking Studies and he has worked as an economist at the FSA (where he was the primary author of the FSA's first guide to cost-benefit analysis) and at the SEC and the Antitrust Division in the US.

He has a PhD in Economics from UCLA and a BA from Swarthmore College.

### **Robin Smale, Director, Vivid Economics**

Robin Smale is a Director and co-founder of Vivid Economics. He has over 20 years' experience in the economics of energy and climate, natural resources management, infrastructure, heavy industry and finance. He has led several hundred projects, mainly across Europe, North America and Oceania, covering a wide range of strategic, policy, quantitative simulation, econometric, financial and market analyses. The portfolio includes a number of ground-breaking analyses and contributions to key policy and

commercial decisions. Robin heads Vivid Economics' natural resources management practice and contributes to the energy and industry, and sovereign finance practices. He was a founder member of the UK Natural Capital Committee 2012–15.

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