

# More than Mere Dead-Weight: A Deductive Typology of the Range of Ways that Regulators Respond to Disruptive Technological Innovation

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**Abstract:** It has become cliché to note the speed of technological change and lament the inability of social institutions to keep up. One phalanx of this narrative brandishes the word “disrupt” to storm the halls of stodgy industries and regulatory agencies intent on dismantling them. Yet despite this modern narrative of disruption, rapid and drastic technological change is not the invention of the past year, decade or generation. And despite the libertarian narratives which prompt disruptors to use regulation as the foulest profanity to decry state inadequacy, regulators do find ways to adapt to technological change each time it arises. Although never perfect and sometimes inadequate, these adaptations still happen.

Regulatory failures such as the Deepwater Horizon oil spill and the 2008 Global Financial Crisis are loudly publicized. Much quieter are the regulatory responses which are something other than failure. We need to understand the range of regulatory responses not just the spectacular failures. This paper develops a deductive typology of regulatory responses to disruptive technological innovation by specifying four variables which underlie both the folk economic theory behind the disruption narrative and the counter-narrative of beneficial constraints. Springing from Stigler’s “Theory of Economic Regulation” (1971), the folk economic theory views regulators as mere dead weight whose impact must be minimized to allow entrepreneurs to innovate. As developed in Streeck’s eponymous article (1997), beneficial constraints views regulators as constraining the focus of innovators so they create business models which ultimately benefit both firms and society. Both theories have empirical support, suggesting that they are both part of the larger story of regulation’s impact on innovation. To reconcile these two theories, this paper derives the four variables of relationship, access, impetus and desirable outcomes in order to generate a deductive typology with seven distinct models of regulatory response to disruptive technological innovation.

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