EPRG WORKING PAPER NON-TECHNICAL SUMMARY

UNIVERSITY OF CAMBRIDGE

Electricity Policy Research Group

A cross-country analysis of electricity market reforms: potential contribution of New Institutional Economics

EPRG Working Paper 1216

Cambridge Working Paper in Economics 1232

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The paper explores whether the question of why some countries are able to implement more extensive reforms is closely related to the question of why some countries have better institutions than others. We analyse this question by using an empirical econometric model based on Poisson regression with cross-section data covering 51 US states, 13 Canada states and 51 other countries. The results show that both the background of the chairperson of electricity market regulatory agency when reforms started and the minister/governor at that time and institutional endowments of a country are important determinants of how far reforms have gone in a country. Our results also suggest that any improvement in the investment environment positively contributes to the scope of reforms. On the other hand, there seems to be a negative relationship between reform progress and civil liberties, which may prove that reforms may be limited in democratic countries with strong civil society institutions such as trade unions or other organized structures in the society that may consider reforms as 'harmful' to their self-interest.

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Publication	June 2012
Financial Support	University of Cambridge, CISS Scholarship