

## Policy Brief: Governing Complex Societal Problems: The Impact of Private on Public Regulation Through Technological Change

### Highlights

- Technological change acts as a mechanism for enhancing public and private regulatory interactions.
- Combining public and private regulations can increase governance capacity and effectiveness.
- Contextual factors such as governance capacity and institutional settings play a critical role in regulatory success.

### Summary

The paper "Governing complex societal problems: The impact of private on public regulation through technological change" explores how private and public regulation interact to address climate change. Using the Swiss building sector as a case study, the authors demonstrate how technological change drives the symbiotic interaction between public and private regulatory instruments, ultimately enhancing governance performance.

For example, the study found that stringency of both public and private regulatory instruments increases over time, with the latter being more stringent although differences exist across target technologies. And since technological change was shaped and triggered by the private building label while shaping public building standards as well, it explains the interaction between public and private instruments.

### What's the Issue?

Climate change presents a multifaceted challenge requiring a combination of public and private regulatory measures. Public regulation alone may lack the adaptability and innovation needed to address these issues. Private regulation, driven by technological change, can complement public efforts by increasing political feasibility and fostering higher regulatory stringency over time.

### Why Is This Important?

The interaction between private and public regulation has many implications:

- The effectiveness of governance will be enhanced through the mutual ratcheting-up process between the public and private efforts under certain contexts.
- Induced by private regulation, technological change increases the political feasibility of more stringent public regulation by expanding the availability of technically feasible and economically affordable technologies, which will create positive feedback effects in the public regulatory processes.
- Identifying and understanding the underlying mechanisms linking public and private regulation will help to sustain and improve the effectiveness of the "public-private"

interaction. The integration of these elements ensures policies are adaptive, context-sensitive, and effective in mitigating greenhouse gas emissions.

### What Should Policymakers Do?

Policymakers should adopt the following strategies to improve governance and regulatory outcomes:

1. **Complement Public with Private Regulation:** Encourage private regulation to foster technological innovation, as technological change driven by private regulation can shape and raise the stringency of public standards over time, enhancing overall governance effectiveness.
2. **Leverage Technological Change:** Recognise technological change as a mediator in the ratcheting-up process of regulatory stringency, linking private regulatory innovations with enhanced public standards. Policymakers must first understand the characteristics and maturity of specific technologies and the capabilities of local industries, combining public and private instruments accordingly to improve effectiveness and feasibility.
3. **Focus on Governance Capacity:** Build governance frameworks that combine adaptive and robust approaches to handle complex societal issues, taking into account specific contextual factors such as the type of problem, congruence between problem scope and governance structure, and institutional settings.
4. **Promote Flexibility and Innovation:** Design governance structures that allow for iterative learning and adjustment based on emerging challenges and opportunities, while balancing flexibility with regulatory stringency under specific conditions.
5. **Engage Multiple Stakeholders:** Facilitate collaboration among public authorities, private sector actors, and civil society to address localised and diversified challenges, ensuring regulatory approaches are context-specific and adaptable to varying conditions.

### Citation

Schmid, Nicolas, Leonore Haelg, Sebastian Sewerin, Tobias S. Schmidt, and Irina Simmen. "Governing complex societal problems: The impact of private on public regulation through technological change." *\*Regulation & Governance\**, vol. 15, no. 3, 2021, pp. 840-855.