

Designing Regulation

Political Science

Choosing how prescriptive a rule should be.

Rules-based

- Specific requirements set out
- Predictable and easy to check
- Compliance is demonstrable
- Gamed at the boundaries
- Ages badly as practice changes

Principles-based

- Outcomes specified, methods open
- Adapts to new circumstances
- Harder to game the wording
- Uncertainty for those regulated
- Depends on regulator judgement

THE DIFFERENCE THAT MATTERS

Rules invite compliance with the letter. Principles require a regulator with the capacity to make judgements.

Educational reference. Most regimes combine both: principles supported by specific rules in high-risk areas.