Institution

Accounting Theory

by

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Overview

One of the biggest challenges to social conduct is to elaborate the design of state intervention in the industry – what is known as ‘economic regulation. Clearly explained, the phrase relates to subsidies and taxes of all types as well as to clear legal and managerial regulations over entry, rates, along with other forms of economic performance. Two major assumptions of economic regulation have been offered. One is the interest theory, handed down by a past group of economists to the current generation of legal advisers.

Introduction

The interest theory refers that regulation is offered in reaction to the requirement of the public for the removal of inadequate or unbalanced industry activities. This essay will explain the interest theory, the role and motivation of regulators (politicians). Along with that, a given article will be reviewed holding a position to explain an individual perception.

Interest Theory and the Role of Regulators

The interest theory of public regulation sustains that politicians or regulators try to locate industry resolutions that are financially competent. It discusses that the industry authority of companies in faultily competitive market areas must be regulated. In the example of natural dominations, regulation is perceived as important to decrease prices and augment outcome. In the example of oligopolistic markets, regulation is mostly supported to protect aggressive competition. The interest theory of regulation sustains that companies must have to control in order to assure the accessibility of specific services and products-like medical provisions, electricity, or communication service facilities-that would not be productive enough to stimulate unregulated companies to offer them in a specific sector otherwise. Companies offering such services and products are mostly granted franchises and permissions that protect competition in the market (Posner, 1974). The regulatory body permits the company to determine prices above standard cost within the protected market for the aim to overcome losses in the target group. This manner, the companies are permitted to earn, certainly are assured, a reasonable overall return ratio (Mourik and Walton, 2013).

One of the most important motivations for regulators to support public interest is the political will to reinforce the growth of markets. Huge financial easing along with targeted financial support as well as structured reforms gain a lot to the country as a whole and politicians (regulators) becomes naturally inclined towards strengthening their tenure through such initiatives. Another motivation could be the institutional investments to promote the sustainable development of firms boost the support for regulators in the course of implementing measures for public interest (Jordana and Faur, 2004).

Response to the Article

In the given article, one of the biggest oil spill incident of United States, the Deepwater Horizon oil spill, has been discussed. The incident is likely to cause more strict regulation related to oil and gas activities in the United States, specifically pertaining to the ecological, safety and health protection regulation and lapse of drilling operations, and with respect to the observation of new drilling regions. Understanding the devastating picture of companies related to their Biodiversity Footprint, the objective would surely be nothing less than recapture the trust of their stake holders, particularly for the retailing and mining industries. For this, it becomes highly important to have regulation in place in order to prevent such incidents in future.

Other incidents like the Deepwater Horizon oil spill can also be considered for further clarification of the argument. The Slave Lake incident (April 2014) can be considered which was caused by an airborne pipe failure controlled by Canadian Natural Resources. The incident lost 70,000 litres of oil and made water to spill near Slave Lake, Alta. Though, this incident did not create an emergency condition, but the regulation had been implemented to ensure the safety of people, wildlife, or water (CBC News Canada, 2015).

Another similar incident took place in 2011, in which nearly 4.5 million litres of oil spilled in Little Buffalo, Alberta. The oil spill contaminated over three hectares of muskeg and beaver ponds in a hugely forested region of Alta. An autonomous state regulation body was dissolved in 2013, warned the firm, expressing it had insufficient leak discovery and failed to examine its emergency reaction plan. The premier of Alberta at that time, Ed Stelmach condemned the firm's adverse communication and the province after the leak. The company, Plains Midstream, that owns the failed pipe, was accused for 3 counts of breaching ecological protection regulations (CBC News Canada, 2015).

Conclusion

The state need to take responsibility for the cleaning, working under the lead of federal state to react fast to compensate individuals impacted by the oil spill, to take care of their health, welfare and safety of the huge number of people residing and those who supported in the rescue, and to help the economic revival of the tourism of Gulf Cost as well seafood markets affected by the accident.

Government regulatory authorities along with other entities need to work together in order to control the disaster and reduce its impact on the ecology and human wellbeing through containing, eradicating and scattering the oil offshore. Also, through executing strategies to prevent the shoreline while cleaning oil that emerge ashore.

References

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