

The Journal of Law and Economics > Volume 31, Number 1

[< PREVIOUS ARTICLE](#)

[NEXT ARTICLE >](#)



Regulatory Treatment of Abandoned Property: Incentive Effects and Policy Issues

Martin B. Zimmerman



 More

REGULATORY TREATMENT OF ABANDONED PROPERTY: INCENTIVE EFFECTS AND POLICY ISSUES*

MARTIN B. ZIMMERMAN
University of Michigan

INTRODUCTION

RECENT cancellations of partially completed nuclear power projects have raised the issue of regulatory treatment of adverse outcomes. Goldberg pointed out the similarities between long-term private contracts and many features of public utility regulation.¹ The capital-intensive, long-lived assets of utilities cause investors and consumers to seek protection against the risk of changes in demand and costs. Goldberg terms this protection for investors and consumers, respectively, the “right to serve” and the “right to be served.” In private markets this protection is provided by long-term contracts of various forms. Goldberg describes how regulation provides similar protection and suggests that many of the problems with regulation are similar to those that arise in unregulated markets.

In a case study of cable television, Williamson compares the efficiency of regulation to that of private contracts in dealing with investments in a changing environment.² With changing circumstances and long-lived investments, parties to a private contract are apt to engage in costly recontracting. Williamson argues that regulation handles the recontracting process more efficiently than private contract: “At the risk of oversimpli-

* I am indebted to Scott Masten, Richard Ruback, Steven Shavell, and Roger Sherman for helpful discussion; to Michael Woronoff for research assistance; to the workshop participants at the University of Chicago, the Federal Trade Commission, the University of Michigan, the University of Virginia, and Washington University; and to the Michigan Business School for financial support for this research.

¹ Victor Goldberg, Regulation and Administered Contracts, 7 Bell J. Econ. 426 (1976).

² Oliver E. Williamson, Franchise Bidding for Natural Monopolies—in General and with Respect to CATV, 7 Bell J. Econ. 73 (1976).

[*Journal of Law & Economics*, vol. XXXI (April 1988)]

© 1988 by The University of Chicago. All rights reserved. 0022-2186/88/3101-0009\$01.50



[The University of Chicago Press Books](#)

[Chicago Distribution Center](#)

[The University of Chicago](#)

[Accessibility](#)

[Open access at Chicago](#)

[Permissions](#)

[Statement of Publication Ethics](#)

[Diversity and Inclusion at the University of Chicago](#)

[Contact us](#)

[Terms and Conditions](#)

[Privacy Notice](#)

[Media and advertising requests](#)



© 2025 The University of Chicago and other publishing partners. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.