TRAJECTORIES OF CRISIS-DRIVEN REGULATORY CHANGE

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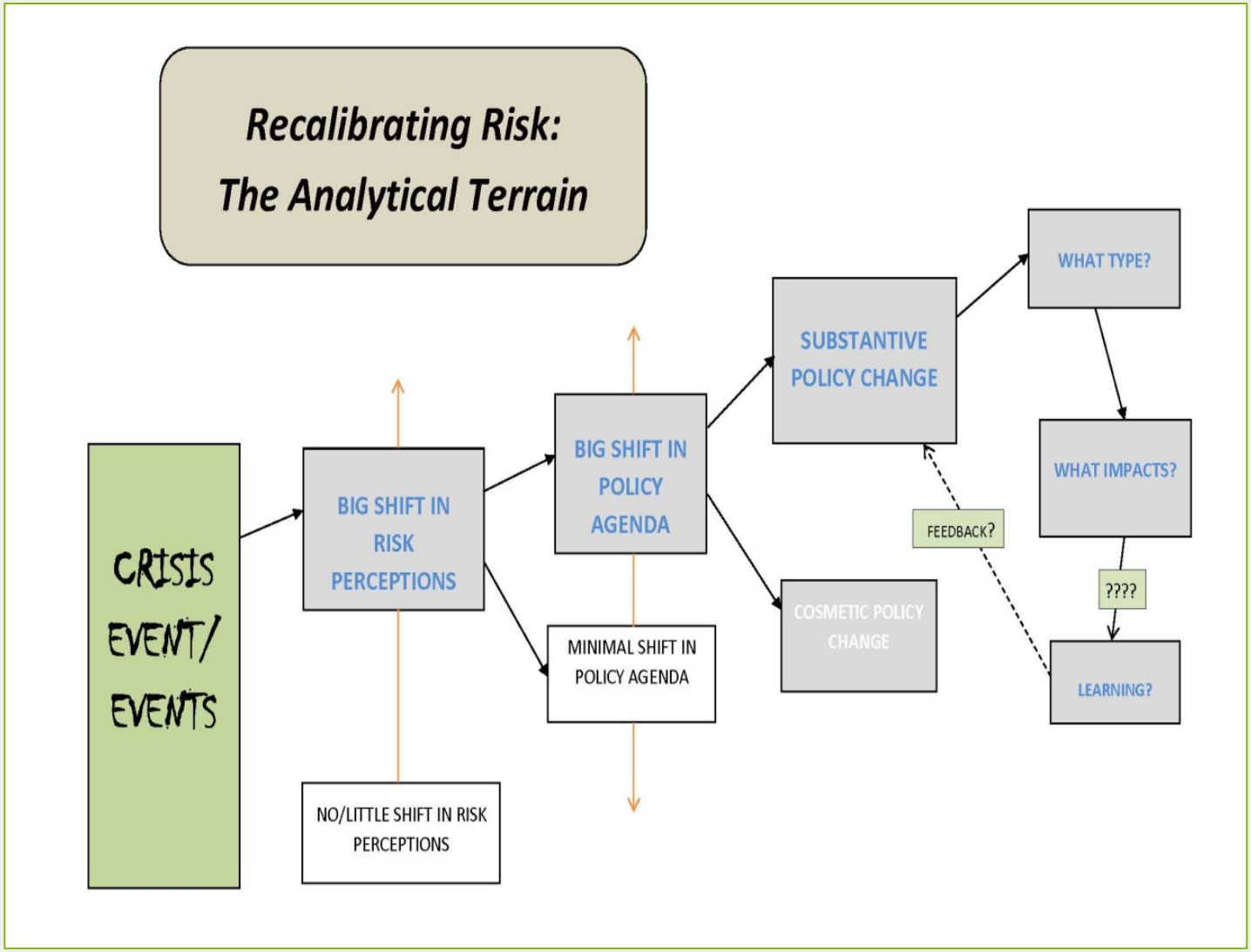
Crises Events As **One** Type of Trigger for Regulatory Policy: A Long Pedigree

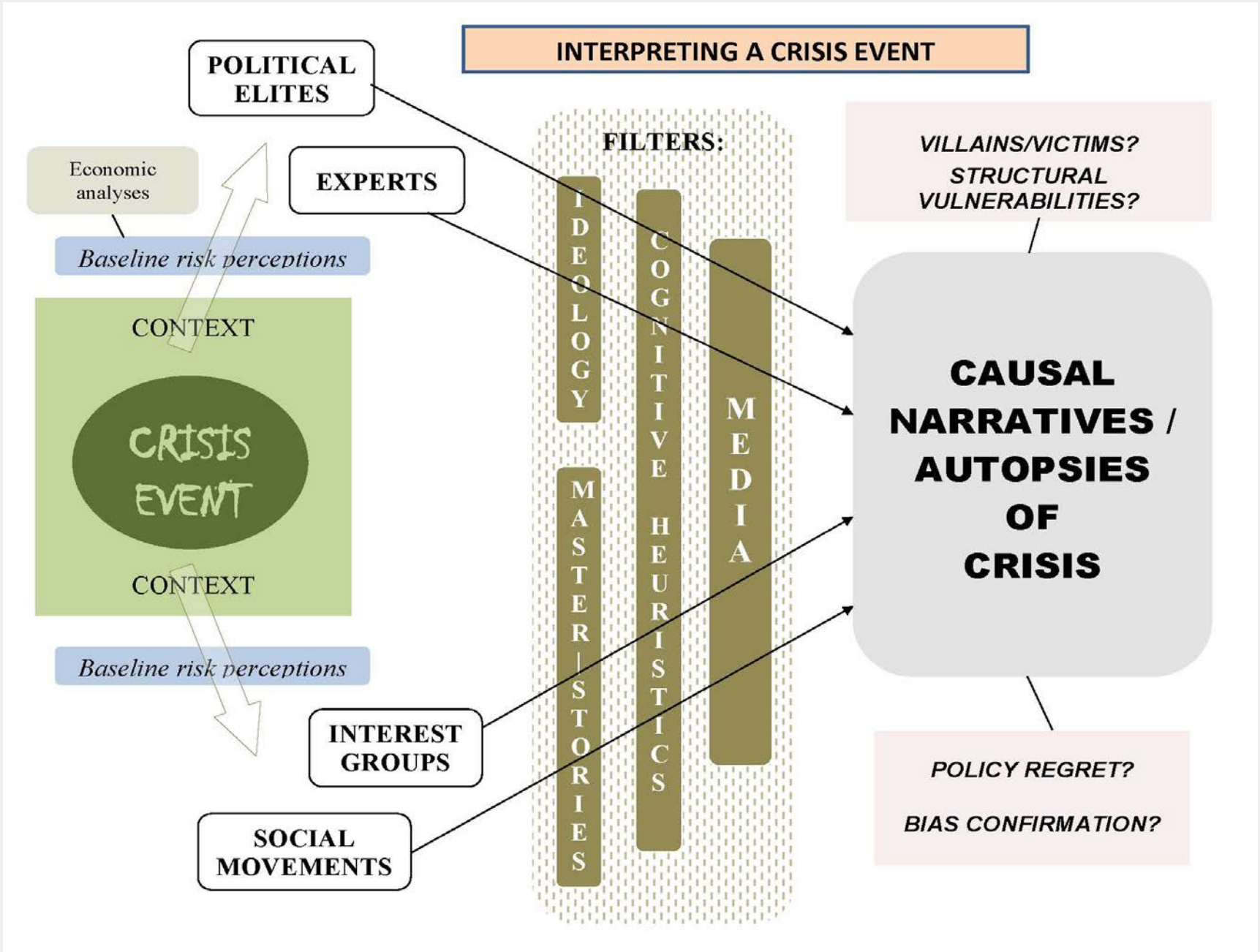
- 19th c. Mining Accidents and Workplace Safety Regulations in United States and Europe
- 19th c. Railroad Accidents and Mandated Safety Equipment
- 19th c. Cholera Epidemics and Public Health Regimes
- 20th c. Dramatic Episodes of Unsafe Drugs (Ethyl Glycol, Thalidomide) and Prior Approval Regimes
- 20th c. "Killer Fogs" in London and Pollution Controls
- Seveso, Bhopal, and other late 20th c. Chemical Plant Explosions, and Chemical Process Safety Regulation in the EU, US, and India

Crisis-Driven Change in Risk Regulation: Three Clusters of Case Studies

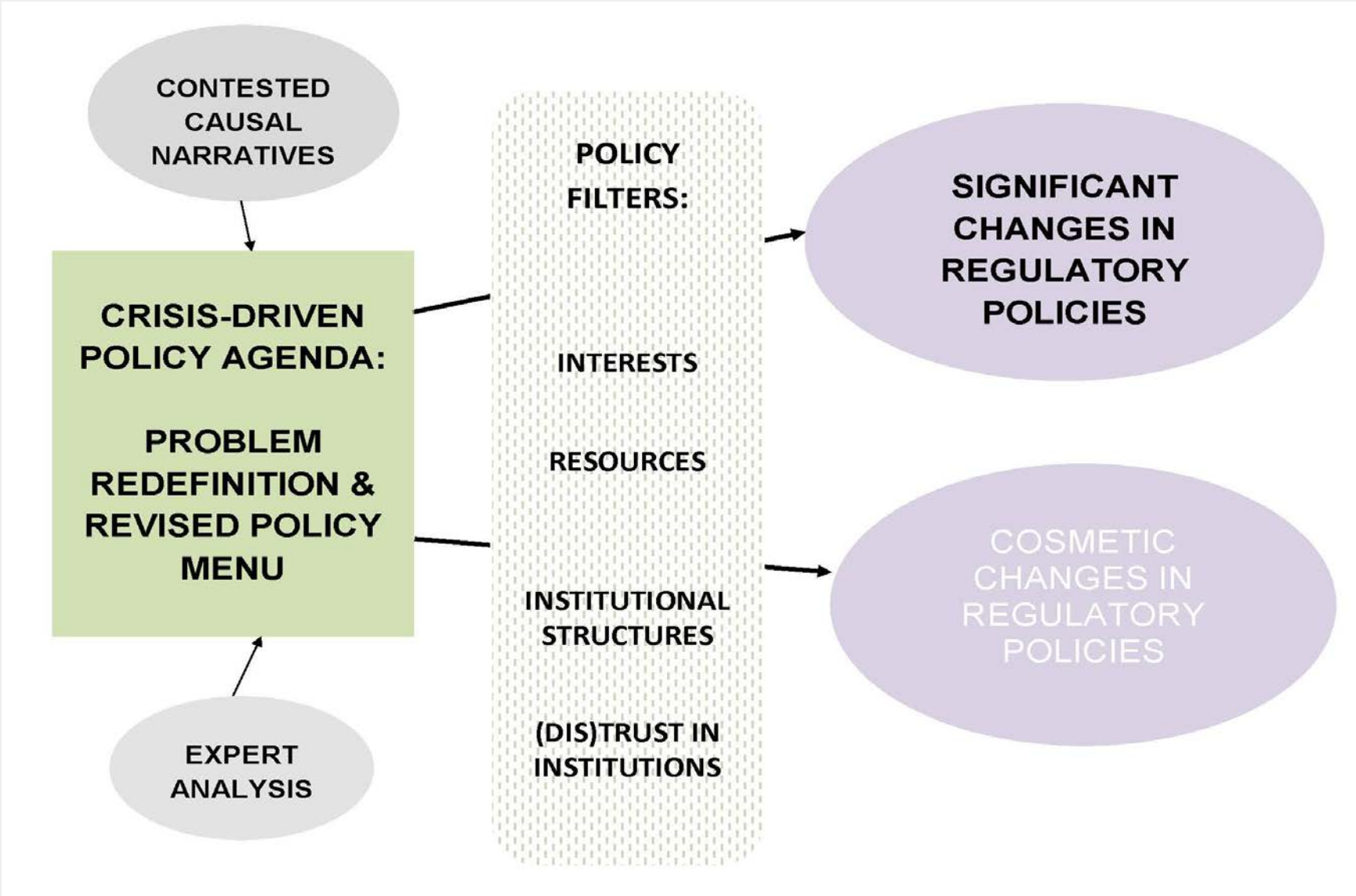
TYPE OF CRISIS	SPECIFIC EPISODES	SOCIETAL POLICY RESPONSES
NUCLEAR ACCIDENTS	THREE MILE ISLAND (1979) CHERNOBYL (1986) FUKUSHIMA (2011)	UNITED STATES FRANCE/GERMANY JAPAN
OFFHSORE OIL SPILLS/ DISASTERS	SANTA BARBARA (1969) EXXON VALDEZ (1989) NORTH SEA (1980, 1988, 2011) BP DEEPWATER HORIZON (2010)	UNITED STATES UNITED KINGDOM NORWAY
FINANCIAL CRISES	GREAT DEPRESSION OF 1930s "PERIPHERAL" CRISES OF 1970s-90s GLOBAL FINANCIAL CRISIS, 2007-??	UNITED STATES UK / FRANCE EUROPEAN UNION



A Key Goal – Developing a Stylized Model of Crisis-Driven Regulatory Change


INTERPRETING A CRISIS EVENT
POLITICAL ELITES
EXPERTS
Economic analyses
Baseline risk perceptions
CONTEXT
CRISIS EVENT
CONTEXT
Baseline risk perceptions
INTEREST GROUPS
SOCIAL MOVEMENTS
FILTERS:
IDEOLOGY
MASTER STORIES
COGNITIVE HEURISTICS
MEDIA
VILLAINS/VICTIMS?
STRUCTURAL VULNERABILITIES?
CAUSAL NARRATIVES / AUTOPSIES OF CRISIS
POLICY REGRET?
BIAS CONFIRMATION?

POLICY OUTCOMES IN CRISIS-DRIVEN REGULATION



Determinants of "Significant" Versus "Cosmetic" Crisis-Driven Regulatory Change

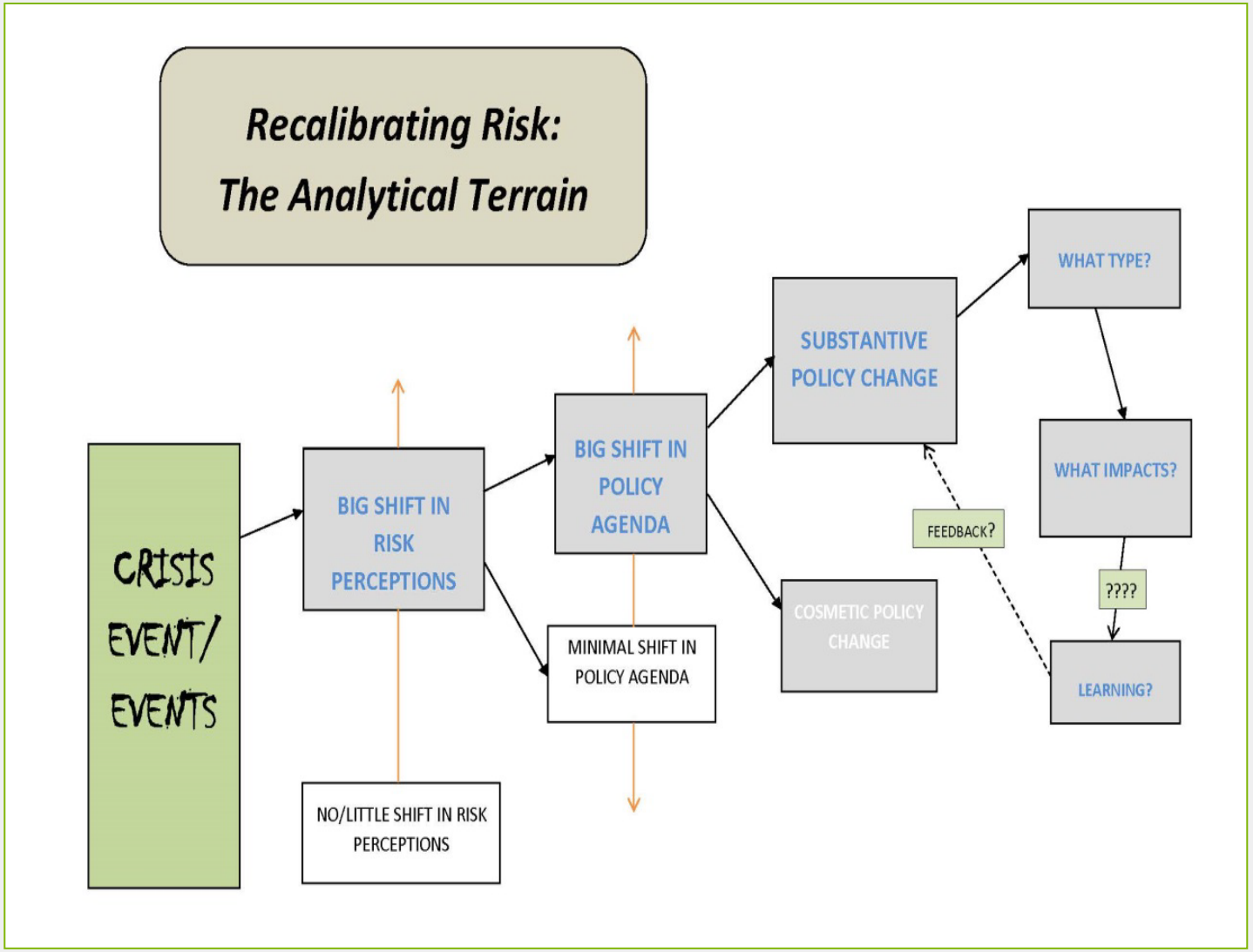
- Depth of Government's Investment in Previously Stymied Reforms – "Crisis" as Policy Window
- Severity / Magnitude of Harms; Villains and Victims
- "Proximity" of the Crisis: perception of implications for "us"
  - -- not just geographic
  - -- technological/institutional parallels or distinctiveness
- Effectiveness of Crisis "Narratives" in Framing New Politics (Mayer)
- Pattern of Multiple Crisis Events (Birkland and Warnement)
  - -- amplification of political impulses for action
  - -- learning and refinement of policy ideas

Pace of Crisis-Driven Regulatory Change

- Process often takes decade or more
  - -- complexity of assessing causes and impacts
  - -- complexity of formulating and implementing policies

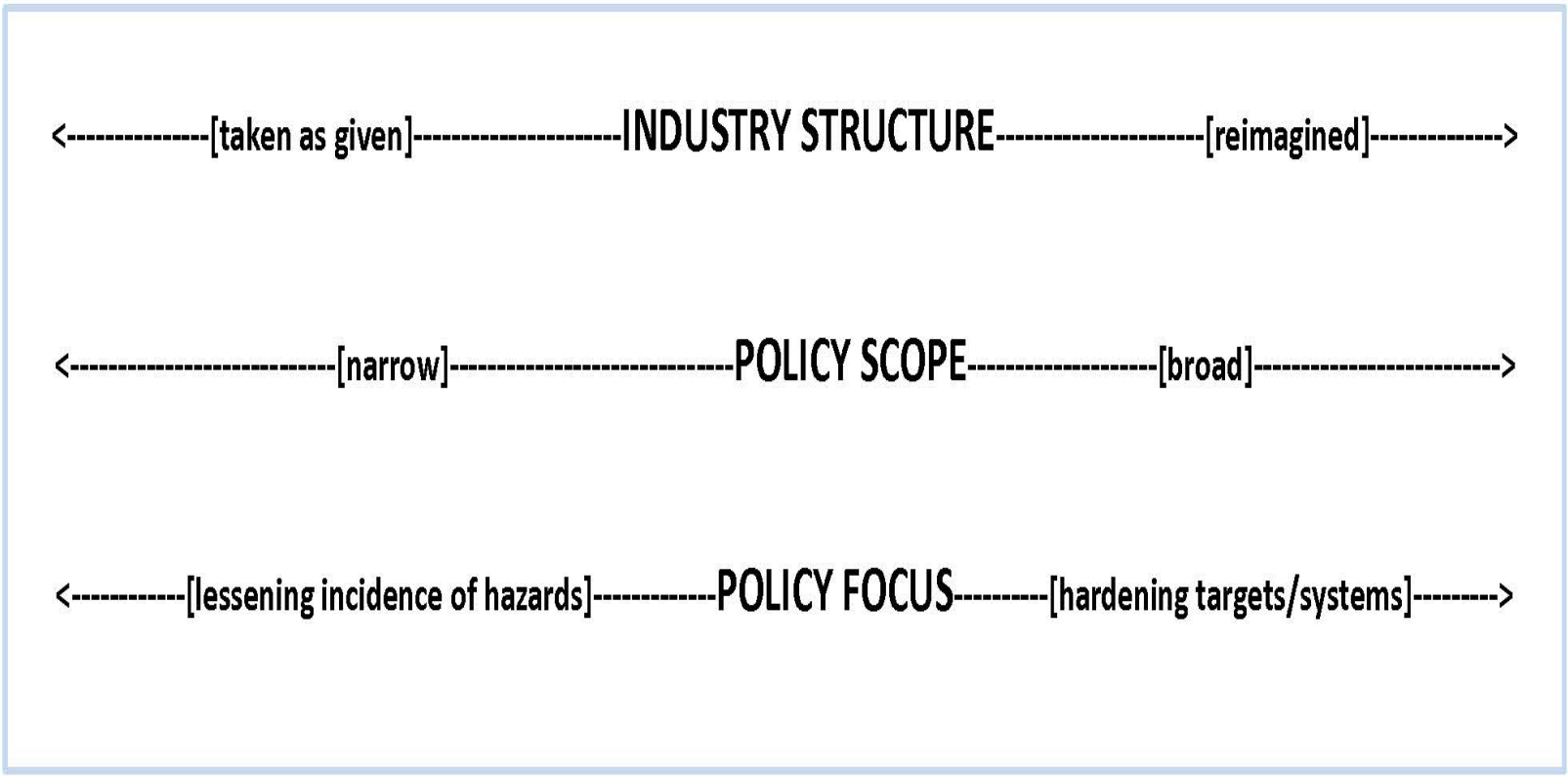
- Example – responses to Global Financial Crisis
  - -- Dodd Frank
  - -- Basel III

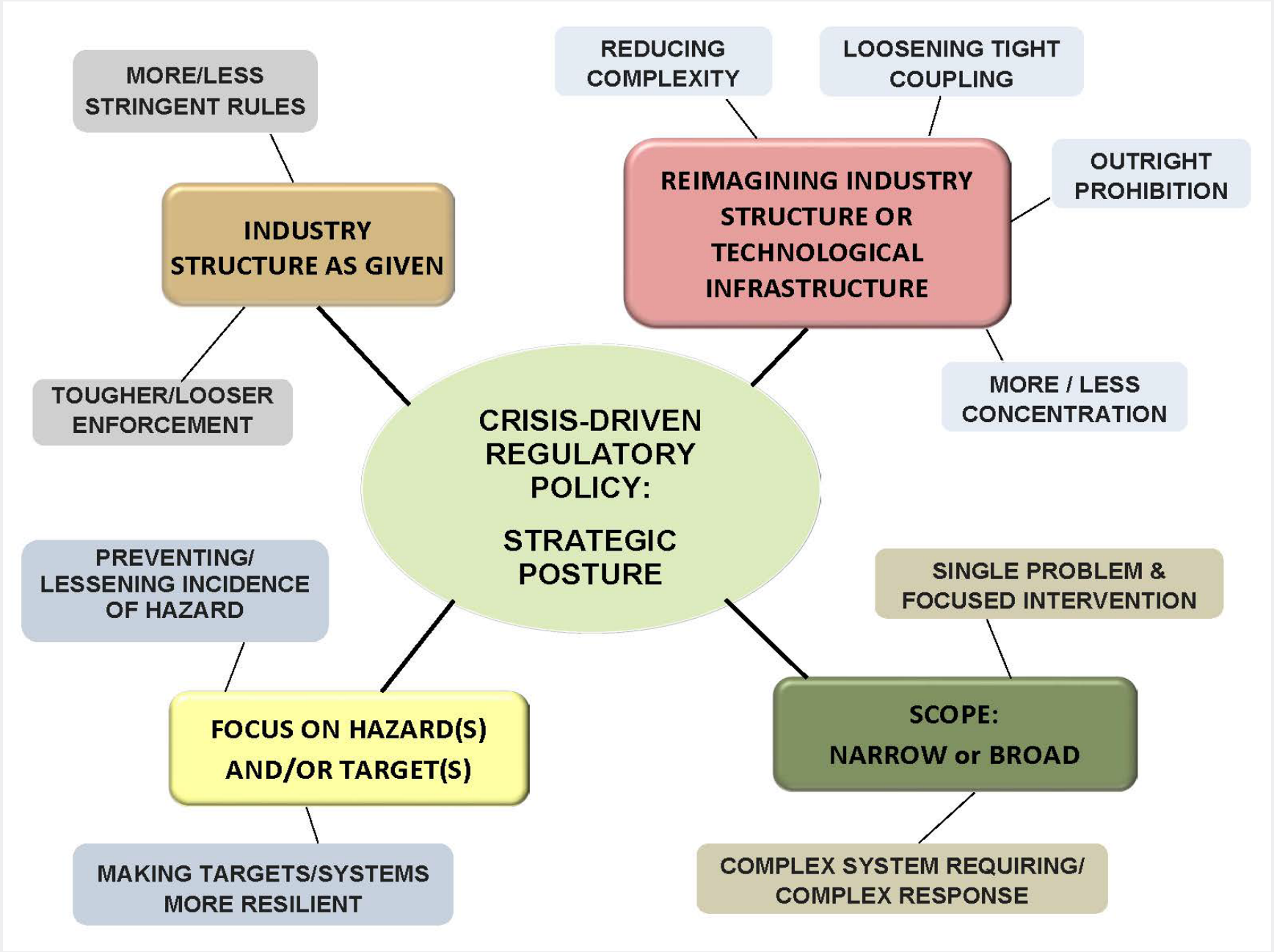
- Deepwater Horizon as => limited/cosmetic change?



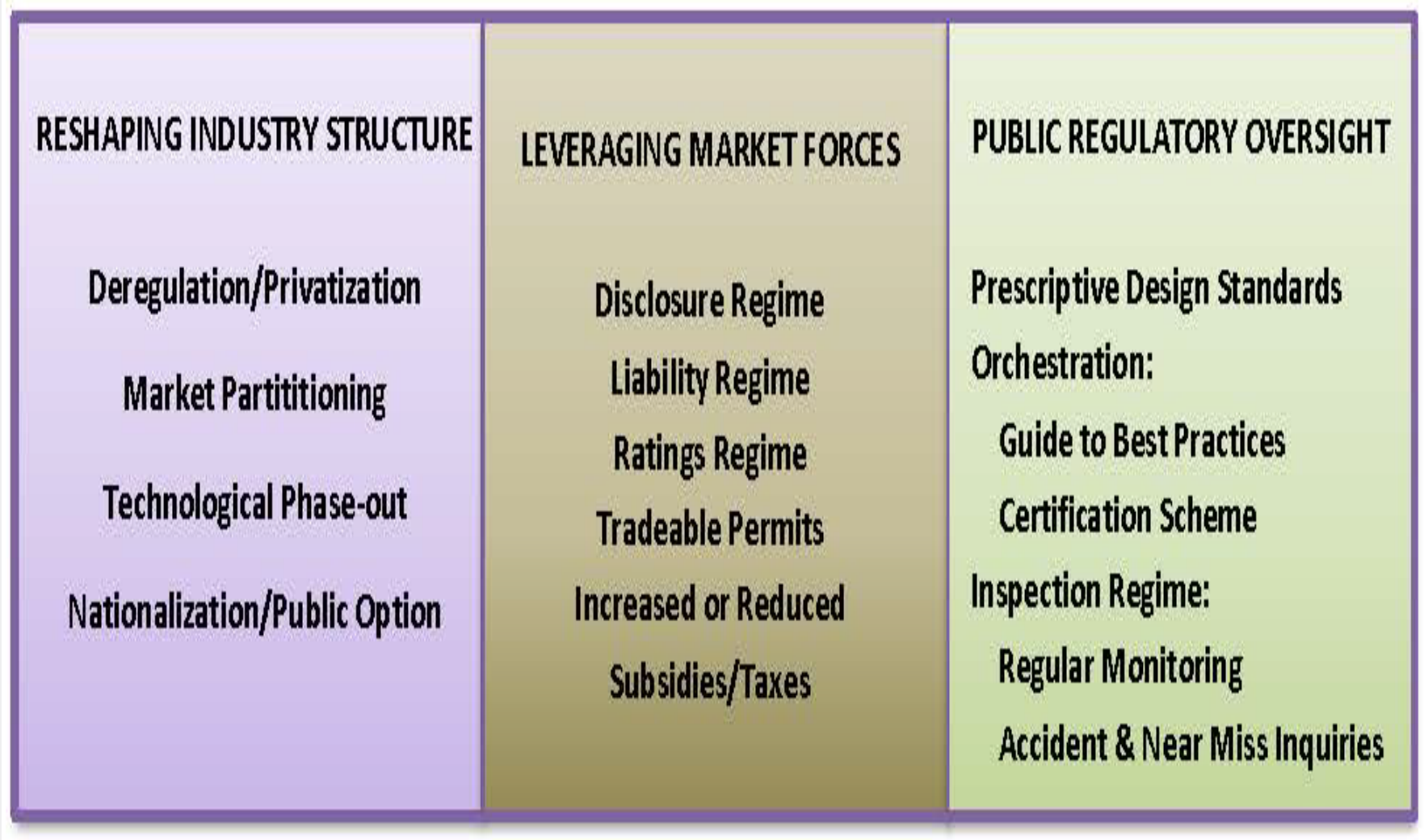
The Process of Crafting Post-Crisis Regulatory Policies

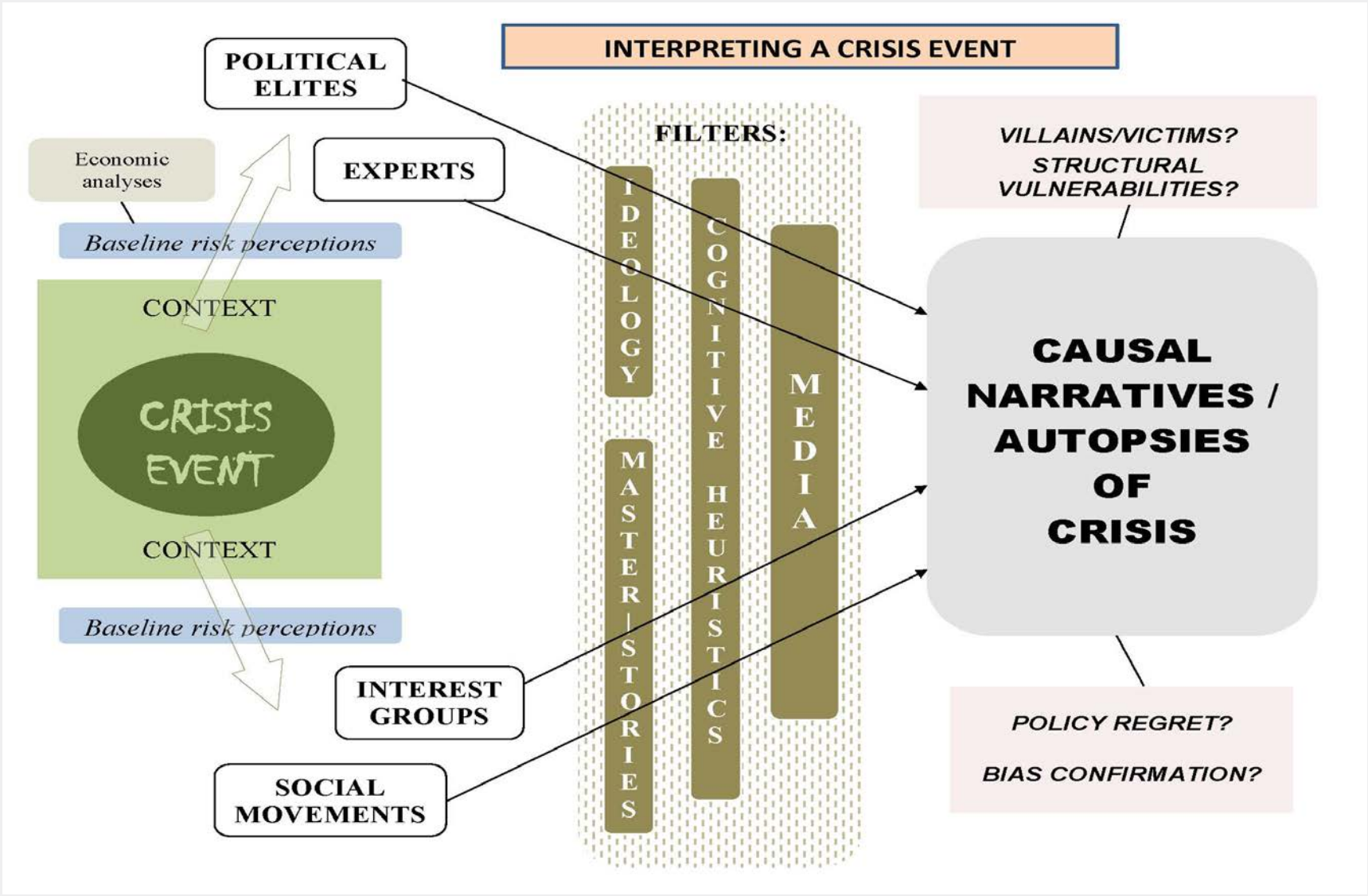
STRATEGIC ORIENTATION IN CRISIS-DRIVEN REGULATORY POLICY-MAKING




MORE/LESS STRINGENT RULES
REDUCING COMPLEXITY
LOOSENING TIGHT COUPLING
INDUSTRY STRUCTURE AS GIVEN
REIMAGINING INDUSTRY STRUCTURE OR TECHNOLOGICAL INFRASTRUCTURE
OUTRIGHT PROHIBITION
TOUGHER/LOOSER ENFORCEMENT
MORE / LESS CONCENTRATION
CRISIS-DRIVEN REGULATORY POLICY:
STRATEGIC POSTURE
PREVENTING/ LESSENING INCIDENCE OF HAZARD
SINGLE PROBLEM & FOCUSED INTERVENTION
FOCUS ON HAZARD(S) AND/OR TARGET(S)
SCOPE: NARROW or BROAD
MAKING TARGETS/SYSTEMS MORE RESILIENT
COMPLEX SYSTEM REQUIRING/ COMPLEX RESPONSE

POLICY INSTRUMENTS IN CRISIS-DRIVEN REGULATION





Key Queries/Considerations for Policy-makers Confronted by Crisis

Key Questions/Considerations for Policy-makers Confronted by Crisis

- How to make sense of crisis?

  -- regular policy channels? special commission?

  rather, permanent independent crisis inquiry agency? (NTSB model; Dutch Safety Board)

- Best practices for any of above?

  -- independence; investigative authority & resources; post-recommendation monitoring

- Explicit consideration of strategic posture in light of best understanding of crisis causes
- Explicit consideration of FULL policy menu, with attention to risk-risk trade-offs
- Awareness of need for updating/review

CONTRIBUTORS TO "RECALIBRATING RISK"

Conceptual Essays

Elke Weber, Psychology and Columbia Business School, on cognitive heuristics, risk perceptions, and the impact of crises on those perceptions

Thomas Birkland, Political Science, North Carolina State University, on the political dynamics of focusing events

Frederick Mayer, Public Policy, Duke University, on narrative framing and agenda construction

Lori Bennear, Environmental Economics, Duke University, on the techniques of economic analysis for estimating distant and/or low probability risks of great potential magnitude

Carolyn Kousky, Economics, Resources for the Future, on the techniques of modern insurance for assessing and hedging fat-tailed risks

Oil Spill/Rig Disaster Case Studies

Marc Eisner, Political Science, Wesleyan College, on American regulatory responses to Santa Barbara and Exxon Valdez

Chris Carrigan, Political Science, University of Pennsylvania, on American regulatory responses to the BP-Deepwater Horizon oil spill.

Ole Andres Engen, Sociology, and Preben Lindoe, Risk Management, University of Stavanger, on European regulatory responses to North Sea oil spills

CONTRIBUTORS TO "RECALIBRATING RISK"

Nuclear Accident Case Studies

Elisabeth Pate-Cornell, Engineering, Stanford, on American regulatory responses to nuclear accidents

Ortwin Renn, Sociology, Stuttgart University, **and Ragnar Löfstedt, Brooke Rogers, Kristian Krieger, Kings College, London,** on German and French regulatory responses to nuclear accidents

Atsuo Kishimoto, Public Policy, National Institute of Advanced Science and Technology, Tokyo, on Japanese regulatory responses to nuclear accidents

Financial Crash Case Studies

Youssef Cassis, Economic History, European University Institute, on regulatory responses to the financial crises of the Great Depression in Britain, France, and the United States

David Sicilia, History and Business, University of Maryland, on regulatory responses in the United States and Western Europe to peripherial financial crises of the 1980s and 1990s

Barry Eichengreen, Economics, University of California at Berkeley, on regulatory responses to recent European sovereign debt crises

Bruce Carruthers, Sociology, Northwestern University, on regulatory responses to the recent Global Financial Crisis, focusing on the problem of asset valuation.

Stijn Claessens and Laura Kodres, International Monetary Fund, on regulatory responses to the recent Global Financial Crisis, at both the national and global levels