Recalibrating Risk:
Crises, Perceptions and Regulatory Change

Jonathan B. Wiener
Duke University, RFF, and
IRGC Scientific & Technical Council

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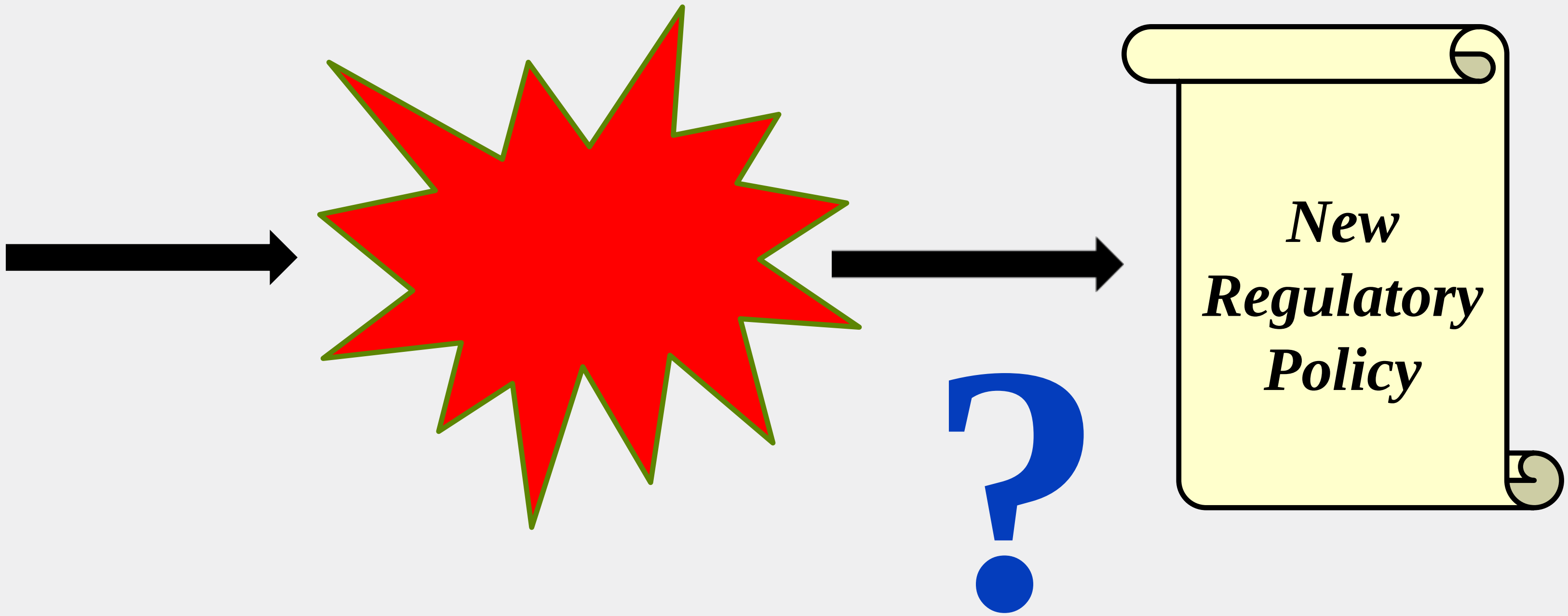
Improving Risk Regulation: From Crises to Learning

- Welcome to Day 1 of this two-day conference on "Improving Risk Regulation"

- Thanks to the OECD and the IRGC, from the Rethinking Regulation group at Duke University

- Day 1: How crises influence regulatory change

  - Not disaster management during the crisis, nor relief immediately after
  - The longer-term evolution of subsequent changes in regulatory policies and institutions – in response to, and informed by, the crisis
  - Not just whether, but *how*, crises influence regulatory change



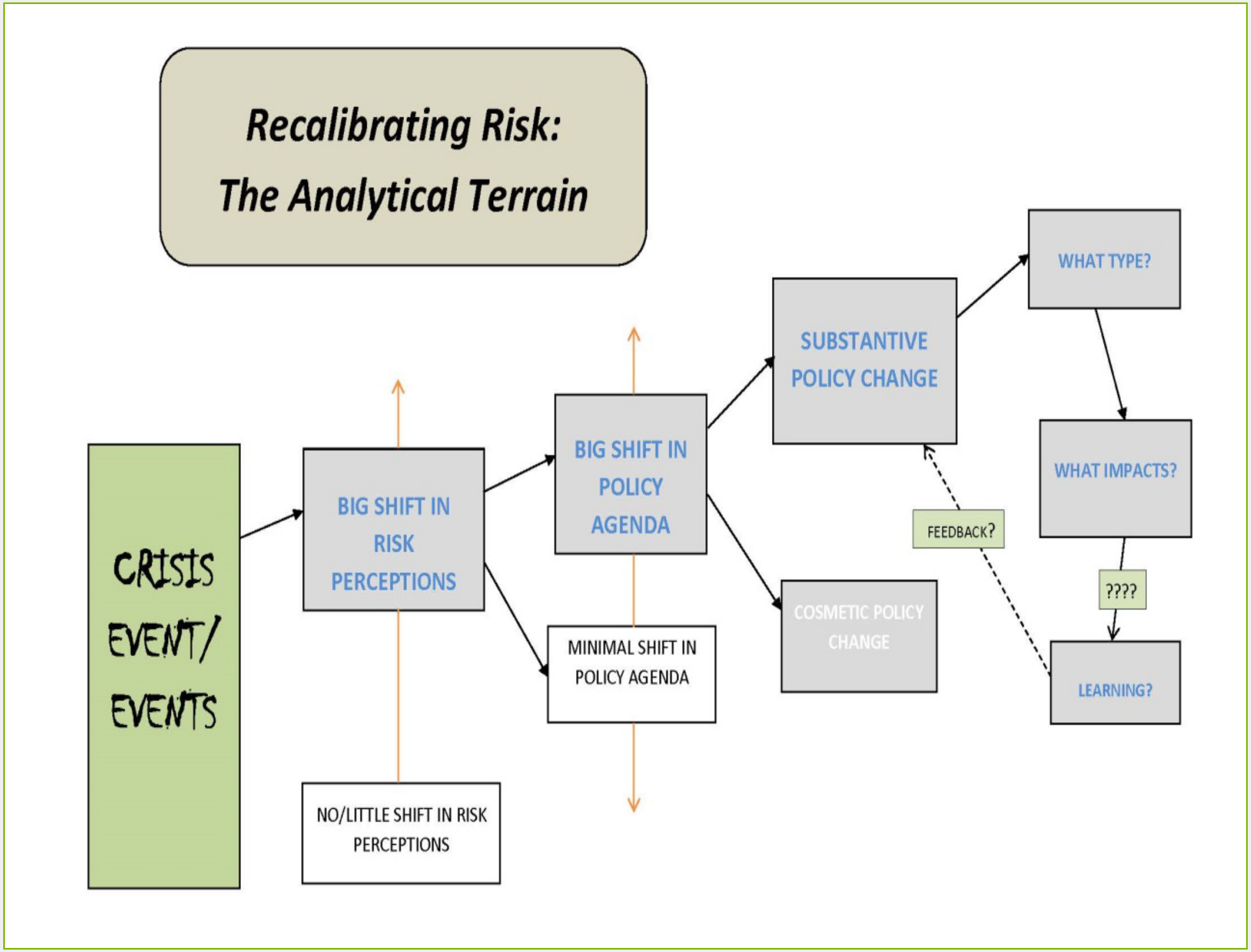
Do crises spur regulatory change?
What kind of change?
What consequences?

“Recalibrating Risk” book (forthcoming 2015)

- Conceptual chapters
  - Economics
  - Psychology
  - Politics
  - Framing
- Case study clusters – in USA, Europe, Japan
  - Oil spills
  - Nuclear accidents
  - Financial crashes
- ~20 authors from across countries

Crises and Regulatory Change

- Do crisis events spur regulatory policy change?
  - Sometimes – crisis events may stimulate outcry, galvanize action
    - Relative to baseline risk. Surprise, shock. "Availability" heuristic. Identified victim, villain. (Safer society may = event more scandalous.)
    - Policy experts may learn from the crisis (or seize its opportunity)
  - But not always:
    - Some crises yield little policy change (or only cosmetic).
    - Some policy changes arise without crises.
- Initial conditions: pre-existing context
  - Different types of crisis
    - Effects on Perceptions – public, expert
- Different *kinds* of change – which *type* of policy response?
- Which impacts? Risk reduction, costs, ancillary impacts



- Not all reg. change requires a crisis. Not all crises -> reg. change.   Some do …
- Not just *Whether* but *How* (which *type* of reg. change)? Impacts? Learning?

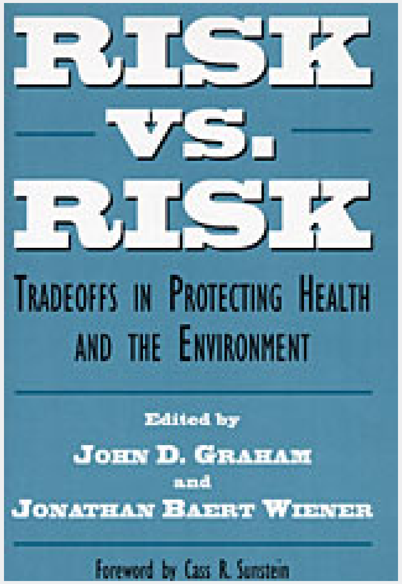
Types of policy responses to crisis

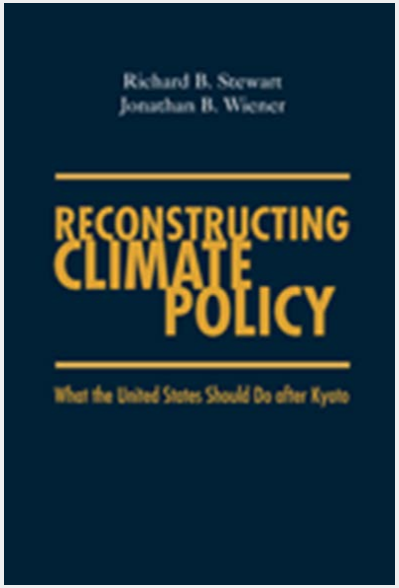
- Pre-existing context, baseline risk, social/political systems
- Types of crisis, e.g.:
  - Size, severity of impacts – e.g. total number harmed; distribution
  - Identified individual – victim; villain
  - Timing – frequency, surprise, unexpectedness, repetition
  - Proximity – near or distant, in space, technology, affinity
- Types of policy response (if any), e.g.:
  - Personnel changes
  - Enhance information, monitoring, surveillance, assessment, disclosure
  - Delegate to private actors, e.g. insurance, self-monitoring
  - Tighten stringency of standards
  - Increase penalties, liability, prosecution
  - Reorganize institutions: combine; divide; create/elevate
  - Fund R&D on new technology
  - Economic incentive instruments

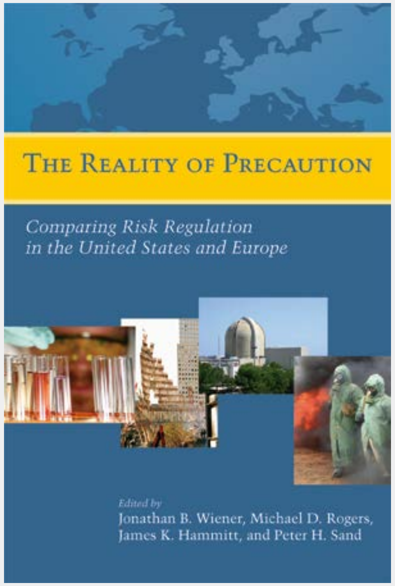
"Recalibrating Risk": Key questions

- How and Why do policy responses differ?
  - – Pre-existing context, baseline, political/social system
  - – Type of crisis
  - – Choices by actors, policy entrepreneurs
- Can regulatory systems *learn* ?
  - – Learning to Prepare for crisis
    - For better crisis management
    - For preventing future crises
  - – Preparing to Learn from crisis
    - Prepare to use crisis to learn, act ("never let a crisis go to waste")
    - Institutions for learning: ad hoc inquiry commissions; standing post-crisis investigation bodies

Thank you.







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www.law.duke.edu/fac/wiener