

# **ESRC Centre for Analysis of Risk and Regulation**

Annual Report 2001





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## 1. Executive Summary

This report covers the first year of the ESRC Centre for Analysis of Risk and Regulation from October 2000 to September 2001.

- The Centre's objectives are to develop intellectual synergies across disciplines, thus becoming one of the first centres to coherently pull together the risk management and regulation research literatures. Firstly, we are concerned to document and understand cross-sectoral variation in the tools and techniques of risk management and regulation. A second objective is to focus on the unintended consequences of risk management and regulatory practice, thus in order to build a comprehensive understanding of side effects and their causes. Finally, we aim to examine the vital role that risk management and regulation play in securing the legitimacy and accountability of organisations.
- Three research programmes have been established:  
Programme 1: Organisations and Risk Management  
Programme 2: Business Regulation and Corporate Governance  
Programme 3: The Regulation of Government and Governance
- Published output during the year included 4 books, 12 book chapters and 16 articles in refereed journals. In addition, the Centre published 4 discussion papers.
- This year, 3 major conferences and workshops and 6 internal seminars were held, ranging in focus from health care ethics to social activism. Amongst the highlights was our first international workshop on the 'The Comparative Dimension of Regulation inside Government', another international workshop entitled 'Europeanisation of Economic Orders', and our first outreach workshop in Glasgow, 'Regulation and Risk in the New Scotland'. This year also saw the introduction of the Risk Research Institute's Risk Fora organised jointly with PricewaterhouseCoopers which aim to bring together senior figures from business and the public sector.
- CARR staff made a total of 35 conference or seminar presentations of their work during the year, 23 of which were overseas presentations.
- Centre staff were part of a range of official and independent advisory groups, including a report to the Bristol Royal Infirmary Inquiry, the Greater London Authority's Notting Hill Carnival Review Group and the European Internet Foundation. UK government agencies advised included the Better Regulation Task Force, Department of Trade and Industry and the Cabinet Office.
- The Centre hosted 5 overseas and 2 UK visitors.
- Total expenditure for the period to 30 September 2001 amounted to £807,400. ESRC core funding amounted to £309,200.



## 2. Introduction

The Centre for Analysis of Risk and Regulation (CARR) was launched as an ESRC Centre in October 2000. The objectives of CARR are:

- *To pursue a multidisciplinary research programme on the organisational and institutional aspects of regulation and risk management practice.* The research team is presently drawn from social scientists working in accounting, economics, geography and environment, information systems, law, management, operational research, political science and social psychology.
- *To conduct comparative research which bridges work in regulation and risk management.* The research cross cuts domains and is also cross-national, it is structured around three discrete but overlapping programmes (see pages 8-13):
  - 1 Organisations and Risk Management
  - 2 Business Regulation and Corporate Governance
  - 3 Regulation of Government and Governance
- *To engage users of research through seminars, supported by an extensive dissemination and publicity strategy.* An example is the PricewaterhouseCoopers Risk Forum series which provides a two-way street for the exchange of ideas and the dissemination of research results (see pages 15-16). Other examples include the dissemination of ideas via a number of related masters and executive teaching programmes. Although CARR as an LSE research centre does not teach, its staff already contribute to the *MSc Regulation*, the *MSc Law and Accounting*, and the new *MSc Management and Regulation of Risk* which commenced in 2001 and is sponsored by Deutsche Bank (see page 5). In addition, CARR organises termly seminars and sponsors academic workshops. We also publish a magazine, *Risk & Regulation*, and a discussion paper series.
- *To develop and implement an outreach strategy which establishes CARR as a national research resource within the UK.* This involves building on existing networks, such as that established through the practitioner seminar for the *MSc Regulation*, and developing new ones via a scheme of visitorships (see page 14).
- *To develop links with overseas research centres, to include high profile visitors to CARR.* For example, informal contacts have been established with the Risk Management and Decision Process Centre at Wharton, and the Regulation Network (REGNET) based at the Australian National University in Canberra.

CARR is funded from a unique mix of sources. The ESRC has committed £2.5m to support CARR research for 5 years from October 2000. Prior to that CARR secured core funding for a chair from the Michael Peacock Charitable Foundation and followed this with further agreements with Deutsche Bank, PricewaterhouseCoopers, BP and Aon.

## 3. Directors' Review of the Year

### 3.1. Highlights

CARR is now reporting on its first full year as an ESRC Centre. The highlights of the year's activities have been establishing and developing CARR's intellectual strategy; two major publications by CARR staff which reflect the intellectual platform on which CARR is built; and steps towards the development of an active academic/practitioner interface.

#### 3.1.1 Intellectual Strategy

The formulation and implementation of research is the major feature of the year. The intellectual agenda of the Centre is evolving around the three broad programmes under which CARR originally sought funding, namely: *Organisations and Risk Management* which is concerned with understanding processes of change around risk management practices within organisations; *Business Regulation and Corporate Governance* which focuses on the rule environment of the organisation, including both voluntary codes of governance and statute as sources of corporate regulation; *Regulation of Government and Governance* focuses on the operations of regulatory institutions at the state and supra-national level. These three programmes will contribute over time to greater intellectual exchanges between academic literatures focused on organisations and management processes, and those focused on regulation and legal practices.

These three programmes are becoming linked by a number of thematic interests underlying the comparative thrust of CARR's research. First, we are concerned to document and understand cross-sectoral variation in the *tools and techniques* of risk management and regulation. Second, an important focus is the *unintended consequences* of risk management and regulation practice. We hope to build an understanding and inventory of important side effects and their causes. Third, there is no doubt that practices of risk management and regulation play a vital role in securing the *legitimacy* of organisations and in constructing them as *accountable* entities. So research at CARR is focusing on the normative climate within which practice is shaped.

CARR's intellectual strategy as stated above is also emergent, and in this respect the last year has been especially important. We have made 5 research appointments, held 13 seminars and workshops, hosted 5 visitors and engaged in other activities which play an important role in slowly defining what CARR is substantively about. While these events are informed by the broad goals established nearly three years ago when we sought funding from ESRC and private donors, it is also true that our conception of what CARR can and should do has been further developed and refined over the past 12 months. While CARR's field of vision is broad, it is becoming clear that our comparative advantage lies in an emphasis on understanding the institutional and organisational settings of risk management and regulatory practices.



### 3.1.2 Monographs

Two major books have been published during CARR's first year which, although based on research undertaken before CARR's life, are of major importance to establishing the intellectual focus of CARR as an academic community. Both books have emerged from the 'regulation group' at LSE which has taught and worked together for a number of years, and which was the driving force in the creation of CARR.

*Regulation and Risk: Occupational Health and Safety on the Railways* by Bridget Hutter (Oxford University Press, 2001) takes as its organising premise the fact that regulation is a form of risk management. Regulating risks in modern societies increasingly involves governments guiding and co-opting corporate risk management systems. This book examines the feasibility of this with reference to the ways in which workplace risks are managed by businesses and the individuals within them. It focuses on the influence of the law in these processes.

The research suggests that it is important to consider differences *within* companies with respect to both the ability and the willingness to comply. The situational and structural imperatives leading to compliance and non-compliance are also central. Respondents in this study saw the control aspects of regulation as necessary, but there was no evidence of fear of criminal sanction. Legal action was judged on its merits on a case by case level, and where it was regarded as 'unfair' it had less impact on the corporation. Moreover, trends to systematise corporate and government approaches to risk management could have counterproductive side effects as they start to counter the legitimacy of regulatory objectives and hamper the ability of an industry to self-regulate.

This all raises issues of concern to programmes 1 and 2 within CARR as the task is to sharpen our awareness of the drivers of, and obstacles to, successful risk management and the limits of state approaches to regulation.

*The Government of Risk: Understanding Risk Regulation Regimes* by Christopher Hood, Henry Rothstein and Robert Baldwin (Oxford University Press, 2001) considers why risk regulation varies so dramatically from one area to another and why vast sums are spent on controlling some risks but not others. The book asks if there is any logic to the techniques we use in risk regulation and looks at a wide range of regulatory regimes which control risks to human health and safety across EU and UK government policy domains, from dangerous dogs, road safety and paedophiles in the community to radon, pesticide residues and air pollution. The book also considers the respects in which such regimes differ and examines how these differences can be justified.

A major theoretical contribution is provided by the authors' concept of 'risk regulation regime' as a tool of comparative analysis. Analysing regulation in terms of 'regimes' allows us to see the rich, multi-dimensional nature of risk regulation. It exposes the thinness of society-wide analyses of risk controls and it offers a perspective that single case studies cannot reach. Regime analysis breaks down the components of risk regulation systems and shows how they interact, both successfully and unsuccessfully. The book shows how a range of external and internal forces may shape different parts of the same regime. In particular, the role of market-failure, public opinion, interest group pressure and regulatory cultures in shaping risk regulation regimes is examined. The authors also explore how risk regulation regimes respond to pressures for change and, in particular, identify a repertoire of blame shifting responses that mitigate trends towards greater openness and accountability.

### 3.1.3 Developing the academic/practitioner interface

One of the year's major achievements has been establishing and developing the academic/practitioner interface in a number of different ways. This is one of CARR's core objectives and has proved to be a demanding process. Indeed, we believe that the scale and variety of our efforts is unusual. By virtue of CARR's private sector funding, we have a number of ready-made avenues for links with practice. The management of these donors' expectations in relation to CARR's activities and its suite of independent research projects is a major and on-going task for the Directors. The Directors have reported to the LSE

Group for Academic Initiatives (GAIN) on CARR's experiences and experiments in developing working relations with the private sector, in order that the lessons and insights might be shared within the School. Over the last 12 months CARR has established productive relationships with multiple donors, and has been involved in establishing a number of related practitioner research projects and activities. Indeed, the level of external interest in CARR's agenda and its activities has been very high.

Examples of these activities include: meetings with staff at Aon, the global insurance broking firm, to discuss the work of the *Aon Fellow in Risk Management* and the future of insurance research more generally; meetings with BP to discuss a programme of work on complex risk and the commissioning of two projects within the LSE. In addition, there has been a seminar at BP where recipients of BP funding gave a presentation of their preliminary research findings on complex risk. The Directors have also met frequently with staff at *PricewaterhouseCoopers* and have worked closely with them to establish and implement the *Risk Research Institute* within CARR, an initiative which explicitly includes practitioner forums.

*Deutsche Bank* have provided major funding to the LSE to support an innovative Masters programme in the *Management and Regulation of Risk* which commenced in October 2001. The Deutsche Bank funding was essential in providing financial support for the establishment of CARR and for the new teaching programme. In June 2001 this became the responsibility of a newly appointed Director of the Deutsche Bank Risk Programme, following a decision by the LSE to move the programme from CARR to the Department of Accounting and Finance.

The groundwork for the Deutsche Bank Risk Programme and for this sponsorship emerged from a series of extensive discussions throughout 1999 and 2000 between Deutsche Bank staff, the Directors of CARR and other colleagues at LSE. These academic/practitioner talks reflected and strengthened a shared recognition of the need to broaden the knowledge base of risk management to include many different disciplines and approaches, in addition to technical finance. Dr Rolf Breuer, the then Chief Executive of Deutsche Bank, gave a keynote address on 'Banking in the 21st Century: Challenges and Strategies' to launch the relationship. Deutsche Bank will contribute their expertise and experience to a series of practitioner seminars in parallel to the academic teaching. A number of CARR staff will teach on the new Masters programme.

Overall, Deutsche Bank have made a major contribution to the foundation of CARR (see Appendix II). Under the existing arrangements negotiated with the School, the Centre will continue to benefit from approximately £25,000 p.a. for three years, which will be used to support research students.

CARR staff have also been involved in various joint academic/practitioner events and various presentations and advisory work for organisations such as the Better Regulation Task Force, Bristol Royal Infirmary Inquiry, the Cabinet Office, the European Commission, the Institute of Chartered Accountants in England and Wales and the Smith Institute. As part of CARR's commitment to links with the worlds of regulation and risk management practice, we also host up to two 'practice fellows' per annum who play a role in the intellectual life of the centre.

Finally, we held a successful event in October 2000 to launch CARR as an ESRC centre. The occasion was marked by a reception at the LSE which was attended by some 100 guests from the public and private sectors. Our contacts in the world of practice remain informed of CARR's progress by our biannual magazine *Risk & Regulation*, edited by Henry Rothstein, which plays an important role in CARR dissemination activity. The CARR Discussion Paper series also provides an avenue for emerging work and CARR will continue to develop its website to make information about the centre and funding opportunities accessible to the academic and wider community. CARR also operates a regular lunchtime seminar series through the year and visitors are encouraged to participate in this.



### 3.2 Progress in the Year

#### Performance Indicators

CARR output since October 2000

	Total	Largely attributable to research prior to CARR
Books	4	4
Chapters in Books	12	8
Articles in Refereed Journals	16	12

CARR has made a strong start in terms of formal performance indicators (see Appendix I). As expected, these show a flow through of work, projects and activities started before the establishment of CARR, such as the four monographs. However, while much published output is not directly a product of the Centre, discussion papers, future publications and conference papers are indicative of activity levels and of future performance.

Output and activity based measures of performance like these have limitations in reporting on the quality and duration of academic work. In its first year, CARR achieved all but one of its contracted milestones. Staff have been active in advisory work and networking and a total of 13 academic events were held.

It should be noted that there were delays in finalising the ESRC budget which led to a negotiated budgetary re-profiling. The consequent 'slow start' to ESRC research activity will be offset when the majority of buy-out projects incept in years 2-5.

### 3.3 Governance

CARR is managed on a day to day basis by the two Co-Directors (Bridget Hutter and Michael Power). There are regular management executive meetings consisting of the Co-Directors and the Programme Directors (Robert Baldwin and Christopher Hood).

The Co-Directors of CARR are formally accountable to an internal Academic Steering Committee (ASC) which is in turn accountable to the Research Committee of the LSE. The ASC is chaired by the chairperson of the Research Committee, and meets twice a year to review academic progress and matters arising.

The Co-Directors are also formally accountable to a Policy Advisory Committee (PAC) consisting of external experts and stakeholders in CARR. The PAC oversees the overall academic strategy of CARR and represents the interests of major funders. The committee is currently chaired by Christopher Swinson FCA, managing partner of BDO Stoy Hayward, Chartered Accountants.

These different levels of governance for CARR provide mechanisms to balance and align the interests of different stakeholders in CARR. For a diagrammatic overview of the governance structure of CARR, see Appendix III.

Appendix II provides a consolidated statement of expenditure for all donors.

#### 3.3.1 Matters Arising

CARR's first year involved considerable development work and we are continuing to refine the infrastructure to support our research efforts. There were some delays in finalising the ESRC contract and a re-profiling of the five year budget was agreed to reflect a slower start to research activity as a result. Accordingly, the level of research activity has been lower for the period to 30 September 2001 than we had originally anticipated. In addition, we became aware at a late stage that the resources to establish CARR were inadequate, despite Deutsche Bank's great investment. We reported on this to the GAIN group within LSE in order that other similar initiatives might be more adequately funded from the outset.

Good research needs time and space to flourish, a vibrant intellectual climate, supportive colleagues with whom one can exchange ideas and, something easily overlooked in the planning stage, good resources

and infrastructure. Space is especially important and is in short supply in a central London institution like LSE. In June 2001 we moved to new integrated accommodation with the School, something which has had an enormous beneficial effect on general morale within CARR. Now there are real possibilities for greater informal exchange between researchers working in proximity to each other, and with visitors from other institutions. The absence of permanent space until June inhibited the development of our visitors programme and forced delays in recruiting. Assembling colleagues who are able to work both individually and in a team setting has also been a major preoccupation of the Directors. Accordingly, recruitment has been a time-consuming but vitally important activity in the past year. It has not always proven easy to recruit to new areas, particularly risk management, which does not yet have a clear disciplinary foundation either in academic life or in practice itself. Some posts have been readvertised in the search for first class quality staff and some difficult decisions have had to be made. In addition, two members of CARR (Hood and Judith Freedman) have moved to chairs in Oxford University (Gladstone Chair of Government and KPMG Chair in Law of Taxation respectively) and one (Colin Scott) is on leave from LSE at REGNET, based in Canberra. In each case, these staff remain committed members of CARR and we are confident that, as we move forward into the second year of CARR, the necessary intellectual assets are in place.

Much important work in establishing CARR preceded the October 2000 launch of the centre as an ESRC centre. This event represented the culmination of many years work in fundraising and in the implementation of an initiative which, in cutting across many existing academic units, was both exciting and a source of tension and conflict. In terms of ambition and scale, LSE had never done anything quite like this before. Of particular significance in this early period was the design and development of a diverse array of contracts with our different donors. Pre-contractual heads of agreement have in all cases established the importance of research independence but the management of expectations remains an important post-contractual task for the Directors.

The outside world sometimes has unrealistic expectations of what such a unit as this can do. CARR is a centre for independent academic research and not a think tank or a consulting unit. Naturally, if the former is done properly, then advisory spin-offs which are evidence-based should follow, and CARR encourages this (see Appendix I for advisory work). But it is not our core business and managing expectations continues to be an important part of the Directors' job. However, while we strive to involve and inform our donors, to whom we are very grateful, we also believe that a perfect and smooth alignment between donor and donee interests is neither possible nor desirable. The academic work of CARR will always be produced in that awkward but productive intellectual space which is intimately connected to practice but is not of it.

### 3.4 Future Plans

CARR has performed very well in its first year relative to the objectives and milestones established in the contract with ESRC. It is now important that we continue to develop and consolidate the intellectual agenda and, in particular, that the Directors begin to develop more consciously the generic intellectual themes (accountability and legitimation; side effects; knowledge and tools) that cross-cut CARR's three research programmes. To this end we intend to establish a series of informal and formal events which examine domains (e.g. food, transport, health and safety) and 'tools' (e.g. audit, models, internal control systems). We anticipate that the number of CARR discussion papers will grow as staff projects gain momentum and as the series becomes a recognised avenue for the early dissemination of results by others. The series is refereed and, as a rule, contributing a discussion paper has been made a condition of funding and of visitorships.

In the next 2-3 years we plan to have a number of high level workshops both within and across programmes, and staff working within programmes will meet more regularly to exchange ideas and interests. On 26 October 2001, Hood and Martin Lodge organised an Anglo-German seminar under Programme 3 for senior civil servants as part of a major study of civil service competencies. In May 2002, Hutter and Power will host a Programme 1 workshop on '*Organisational Encounters with Risk*' and have secured a number of international experts to speak at the event. Planning is also currently underway for a CARR conference explicitly on our third cross-cutting theme '*Accountability, Legitimation and Public Expectations*', taking accountability in the European Union as its substantive focus. In addition, there will



be a number of events under our UK outreach programme, which will be further developed under the direction of Baldwin.

Now that we have dedicated office space, we intend to develop and expand our existing visitors programme. Visiting fellowships will be advertised and we shall be approaching individuals who we believe can make a contribution to the life of CARR.

As noted above, we intend to expand the CARR community by deploying the residual Deutsche Bank funding to support existing research students whose interests and work are relevant to CARR. For a small number of students we will develop CARR affiliated student status, a pool of funding to enhance their research and, under the direction of George Gaskell and Michael Huber, a programme of CARR specific student research seminars.

## 4. Research Programmes

### 4.1. Programme 1: Organisations and Risk Management

#### Programme Directors 2000/01: Hutter and Power

**Staff:** Hutter (Peacock Chair); Huber (Aon Fellow); Miller (ESRC); Power (ESRC) plus one project funded over 2 years by the BP Complex Risk Programme (Rosenhead)

Programme 1 focuses on business organisations as the recipients and creators of risk regulation. The scope of the programme is intended to be theoretically and empirically broad with an explanatory objective:

- To understand drivers and pressures for risk processing practices
- To analyse risk management knowledge, tools and discourses

The research programme addresses a number of substantive themes in a variety of organisations and domains.

#### 4.1.1 Risk Regulation and Management

Two projects are considering the broad canvas against which organisations manage their risks. Hutter is drafting a book *Regulating Risk in Economic Life: Past Experiences and Global Future Prospects* (Athlone, forthcoming), which will synthesise socio-legal writing on regulation and the management of risk, and consider future initiatives. The work will focus on conceptual developments, regulatory objectives, regulatory controversies and trends in regulating risk, most particularly trends of diversification, integration, democratisation and internationalisation. Power's complementary project is entitled *The New Risk Management: Visions of Organisational Control and Accountability* and builds on earlier themes developed in *The Audit Society* (Oxford University Press, 1999). The focus is on the wave of interest in rethinking risk management which is visible in recent projects of self-reinvention by auditors, insurers, standard-setting organisations and agents involved in organisational governance more generally. This so-called 'new risk management' (NRM) is programmatic and provisional, and will take shape, if at all, in attempts to implement 'enterprise wide' risk management systems.

A particularly important theme within the NRM project concerns the role of risk management systems in shaping the responsiveness of organisations to social and environmental issues. Power's ongoing project on *Risk Management and Corporate Responsibility* argues that environmental and social responsibility issues are being increasingly mediated by stakeholder analysis within risk management systems. The project will pursue the theoretical and empirical consequences of this trend for organisation/society boundaries.

Hutter and Power have argued that the regulation of business and corporate risk management are inextricably related and that increasingly the distinctions between them are becoming blurred. But at the interface between risk and regulation is compliance, an emergent and contestable phenomenon which may upset the alignment of corporate risk management practices and regulatory regimes.

#### 4.1.2 Organisational Responses to Risk

Other projects are exploring whether and how specific business organisations understand and process risk. Huber is developing a research project on the *organisational challenges facing the insurance industry* in coping with dramatic changes in the economic and social impacts of natural hazards. Two complementary perspectives on the specific case of house-holder insurance against flooding are explored. The first focuses on the ability of particular organisations to learn and to improve their skills to cope with this new challenge. The second focuses on the ability of an entire network to learn and to adapt to the new situation. Besides developing this research project, Huber has worked on the issue of burden-sharing. He asks under which circumstances successful policy instruments can be fruitfully implemented in new (but still similar) contexts. In his empirical analysis Huber concentrated on the emergence of burden-sharing schemes in the acid rain and climate change policies of the European Union between 1972 and 2000.

Programme 1 is concerned to map and explain differences in understandings of risks and their management. In particular, issues in the theory and practice of organisations will be linked to issues about the way risk is known and constructed in businesses. Hutter's second research project, *Corporate Risk Management: Managing Risks and Responding to Regulation* builds on her book *Regulation and Risk*. This work examines how businesses understand and manage risk, in particular to gain an understanding of what influences and drives their risk management practices; how these practices may influence and be influenced by various sources of regulation both inside and outside of the company; and their impact (if any) on the everyday practice of the organisation and individuals within it. Power's research focuses on the potential emergence of a new class of organisational actor, the corporate risk officer and its role in defining and shaping the reality of the NRM. Both projects share an interest in the functioning of internal control systems and internal agents in the risk management process.

The theme of risk perception, and the need to organise complex decision making processes to mediate different perceptions, underlies the project by Jonathan Rosenhead (and Tom Horlick-Jones, University of Cardiff) within the BP complex risk programme. They operationalise the application of Problem Structuring Methods (PSMs) so as to provide practical tools and guidance for the support of a range of corporate situations associated with the management of complex risk. Collaborative agreements have been entered into with Railtrack plc and with the Greater London Authority. The work with Railtrack has involved detailed ethnographic investigations of the processes involved in the assembly of a 'tool-kit' for the assessment of a specific risk, involving 'hard' and 'soft' methods. Rosenhead and Horlick-Jones have also been working closely with the Greater London Authority to design a suitable process to allow input from various stakeholder organisations in the selection of the Notting Hill Carnival route. This has involved the facilitation of PSM-based workshops.

Peter Miller's project (with Liisa Kurunmaki, LSE and Jeffrey Keen, Leeds University) *Modernising Budgets: Partnerships in Health and Social Care* is a case study of new strategic risks and opportunities for organisations arising from an external regulatory initiative, namely the partnership arrangements introduced in Section 31 of the Health Act 1999 in the United Kingdom. The theme of information management underlies Miller's second project (with Ted O'Leary, University of Manchester) on information disclosure within the microprocessor industry. Disclosure typically refers to a discrete event – the release by a company of financial information at a given moment in time, as required for regulatory purposes. This study set out to examine the accuracy of this conception of disclosure for one particular industry. By means of a detailed field-based study of information flows and disclosure practices relating to Intel Corp, the study charts the particular type of information on which analysts base their evaluation and risk assessment of a company, and how senior corporate officers perceive their company's disclosure practices.



## 4.2. Programme 2: Business Regulation and Corporate Governance

### Programme Director 2000/01: Baldwin

**Staff:** Baldwin (ESRC); Black (ESRC); Finch (ESRC); Freedman (ESRC); Gouldson (BP); Macve (ESRC); Rothstein (ESRC)

This programme focuses on corporate responses and adaptations to regulation. Projects focus on the boundaries between external regulation and internal management in business corporations, and will explore the interaction between different regulatory tools (notably command and control regimes and their alternatives). Central concerns will be the choices between different regulatory devices and strategies; how these are made and how different mixes of mechanisms affect accountability. How risks are allocated and managed within the regulatory context is another key topic within the programme. Accordingly, the programme has two main objectives:

- To develop understandings of the variety of regulatory constraints under which corporations operate
- To identify and explain the interactions between different controls, internal and external (with an emphasis on external constraints and influences)

The five-year programme addresses the following general themes:

### 4.2.1 Choices of Regulatory Strategy and the potential of a risk-based approach to regulation

UK risk regulation seems at first glance to be confused and inconsistent. Why, for instance, does government base road safety legislation on extensive risk analyses but enact laws on dangerous dogs on the basis of little more than tabloid headlines? In *The Government of Risk* (see also the Directors' Review), Hood, Rothstein and Baldwin examine the bewildering variety, paradoxes and confusion that are encountered in risk regulation. They analyse the nature of risk regulation regimes and then look for explanations of regulatory variety. In so doing, they examine the shaping forces of 'market failure', 'public opinion' and 'lobbying', amongst other accounts. The book identifies a number of significant causes of regulatory variety and failure, and also offers a critique of governmental methods of assessing regulatory performance.

Seeing regulation as an exercise in risk control offers some new perspectives. This approach has been applied by Baldwin and Hutter in looking at questions of accountability and the control of risk appetites as well as by Rothstein in reviewing the part that expert scientific knowledge plays in regulatory processes.

During the year Vanessa Finch and Freedman have continued their research into regulatory strategy from an institutional perspective. They consider the new, much heralded, Limited Liability Partnership (LLP) as a means of regulating enterprises that provides an alternative to the limited liability company. However, it is argued that there is less to the LLP's potential than meets the eye. This is an institution based on a mixture of company and partnership law provisions and that hybridity creates uncertainties that are liable to prove unattractive to the large creditors whose support is necessary to the LLP. The LLP is liable to provide neither the protections that its large partnership proponents sought, nor the useful vehicle for enterprise that small businesses seek. Freedman has developed the analysis in a comparative setting.

Finch, together with Sarah Worthington, has looked at the law's strategy for regulating asset distributions following a corporate insolvency, paying particular attention to the efficiency and fairness issues that flow from different modes of allocating risks. The themes of regulation, risk distribution and security are pursued at greater length in Finch's book *Corporate Insolvency Law: Perspectives and Principles* (Cambridge University Press, forthcoming).

The taxation system constitutes a highly pervasive regulatory regime and Freedman has explored the incentive effects of taxation with regard to Small and Medium-Sized Enterprises in the UK and the different classes of workers.

Choices of regulatory strategy also raise issues concerning conceptions of regulation and the regulatory process. Julia Black has explored the theoretical aspects of these questions in two linked publications on 'proceduralising regulation' which look at regulatory strategies proceeding under the banners of 'reflexive law', 'responsive regulation' – or more generally 'proceduralisation' – and ask what the shift to procedures might involve, the forms that participation can take, and the role of mediation in such processes. Black's work also deals with informal cultures and the exercise of regulatory discretion, and the potential of discourse analysis as a lens through which to view regulatory activity.

#### **4.2.2 Accountability**

Researchers within the programme have advanced a number of innovative approaches to accountability and have developed new perspectives. Rothstein has explored (with Alan Irwin, Brunel University) how the uncertainties of scientific assessments affect trust in environmental regulation and how the 'globalisation' of regulatory-scientific knowledge affects local responsiveness. Hood and Rothstein have looked at how regulators respond to pressures for openness and transparency, paying attention in particular, to strategies of blame shifting. Furthermore, Hood, Rothstein, Clare Hall (LSE) and Baldwin have also examined the role of opinion responsiveness in shaping regulatory regimes. Accountability through regulatory assessment processes is investigated by Hood, Rothstein and Baldwin who argue that current government strategies to deal with dangerous dogs fail to come to grips with trade-offs in values; confuse regulatory and media success; and fail to take on board questions of regulatory difficulty. UK approaches to better regulation have been reviewed by Baldwin, who also analyses whether regulators are fighting a losing battle in aiming to achieve legitimacy. An audit perspective on accountability is offered by Richard Macve (with David Gwilliam, Aberystwyth and Geoff Meeks, Cambridge) on principals, agents and accounting reforms at Lloyds. Baldwin has also investigated the implications of seeing regulatory accountability in terms of risks of undesirable outcomes.

#### **4.2.3 The Limits of Responsive Regulation and Self-Regulation**

Responsive regulation and self-regulation are both strategies that have been regularly advocated but both have their limitations and CARR staff have explored these. Black's work on 'Decentering Regulation' starts from the position that regulation occurs within and between a host of actors (not merely governments and private parties). It then explores the design and other implications of seeing regulation and self-regulation as activities unlinked from government. Andy Gouldson's current work focuses on responsive regulation and the challenges involved in seeking to apply the strategy to the control of complex environmental risks. Rothstein is looking at a different issue in a recent project, namely, how self-regulatory regimes can survive when they perform badly.

### **4.3. Programme 3: The Regulation of Government and Governance**

#### **Programme Director 2000/01: Hood**

**Staff:** Besley (ESRC); Hood (ESRC); Lodge (ESRC); Scott (ESRC); Thatcher (ESRC)

Changes in the instruments of government and governance are commonly said to have led to the emergence of the 'regulatory state' and the 'new public management state'. The general theme of research within this CARR group focuses on governance and regulation in the sense of the control of government, regulators and public office-holders. In order to come to a better understanding of the notions of governance and regulation within the age of the 'regulatory state', the group concentrates on comparative research to assess commonalities and differences in the regulation of governance, paying particular attention to benchmark starting points and 'reform trajectories'. The research applies various types of institutional analysis and aims to develop conceptually the way governments, regulators, and public office-holders are controlled through a range of mechanisms, including oversight, popular participation by voting and other means, and competition in various forms.



Accordingly, this CARR group has three core objectives:

- To identify cross-national trends, commonalities and differences and explore contesting explanations
- To identify some of the main mechanisms that serve to control executive government, regulators and public office-holders, their potential and limitations
- To identify features of contemporary governance through the lens of regulation, in particular in the light of the notions of 'responsive regulation', 'audit explosion' and 'regulatory innovation'

#### **4.3.1 Cross-national comparative analysis of regulation of public sector bodies**

Most of the literature on the 'regulatory state' has considered the 'external face' of state regulation of private (privatised) business activities. At the same time, however, there has been, at least in the UK, a growth of regulation inside government. While earlier research among researchers of this group has assessed change in regulation within UK government, there is a need for cross-national comparison of regulation inside government across different states and state traditions in diverse policy domains.

The 'Regulation of Government' project (led by Hood and Scott) looks at six developed countries, investigating patterns of regulation in the areas of high state bureaucracy, higher education and institutions. The work at CARR involves collaboration with international scholars. The research seeks to establish whether and to what extent there has been a growth of regulation inside government across countries in selective areas, whether it has remained distinctive to the UK and whether developments have been shaped by different state traditions. This work also relates to Hood's ongoing work on 'civil service bargains' and public sector reforms. There was one seminar supporting this project in October 2000 and another in October 2001.

In a further project Hood and Lodge have worked on a study of civil service competence in the British Department of Trade and Industry and the German Federal Economics ministry in selected areas of industrial policy (commissioned by the Industry Forum and the Smith Institute). The project aimed to establish how organisational incentives guide individual behaviour and how organisational settings shape the policy-making process. The study involved, besides the assessment of how the respective departments set incentives and guidance for their officials, the comparative assessment of three selective policy domains.

#### **4.3.2 Comparison of regulation by government through different institutional mechanisms and different levels of government**

This research area explores the effects of different institutional mechanisms, such as the effects of voting versus appointment, the effects of public versus private regulation of public bodies and the effects of 'domestic' versus 'foreign' regulation of government bodies.

The past year has seen activities in following projects:

**a** 'Private regulation of the public sector': The research, initiated by Scott, explores the private regulation of the public sector in various institutional forms, in order to evaluate the scope and limits relative to the public regulation of public bodies; looking at different mandates and sanctions which have been designed and are being applied in regulatory regimes.

**b** 'Alternative forms of political accountability': The research by Tim Besley evaluates US state government data in order to investigate the impact of different mechanisms of accountability on insurance regulators. Further work on government responsiveness has looked at the function of the media in influencing government behaviour, in particular in the developing country case of India.

**c** 'Regulatory transparency': The research (by Lodge and Lindsay Stirton) reflects on how consumer sovereignty has been incorporated into regimes of utility regulation in both the developed and the developing world.

### 4.3.3 Comparison of regulatory behaviour and regulatory innovativeness in different environmental conditions

Regulators and other governmental actors are said to be prompted to adopt functionally superior regulatory techniques by continued exposure to environmental pressures, notably in the form of international regulatory competition and technological change. Research focuses on the extent to which other factors, for example, institutional processes, are shaping the generation and advocacy of 'best practice' in regulation. This applies in particular to the regulation at the level of European Union governance as well as at the level of processes of Europeanisation of domestic regulation, particularly in areas of utilities regulation.

Work on institutional design of regulation, in particular the application to EU governance and particular policy sectors, such as telecommunications, railways, and postal services has been conducted by Scott, Mark Thatcher and Lodge (with Imelda Maher, LSE). Building on work on risk regulation by the UK government in selected policy domains by Hood (with Rothstein), Hood and Lodge have analysed government responses to demands for risk regulation with a comparative study of dangerous dogs regulation in Western Europe. Lodge and Stirton work on a project on 'Regulatory reform in the Caribbean' (supported by the Association of Commonwealth Universities and the British Academy).

## 5. UK University Outreach

### Director: Baldwin (ESRC)

CARR intends to play a leading role in the UK research system by establishing itself as national research resource in risk and regulation. To this end we are in the process of establishing substantive links with regional centres of expertise in the UK. The aim is to create a two-way exchange network between CARR and other related research elsewhere in the UK. Accordingly, CARR's UK Outreach strategy involves collaboration at two levels:

- A programme of seminars, conferences and other events held outside London at regional centres
- A programme of visitorships to provide UK researchers with an opportunity to spend a period of time at CARR

Professor Tony Prosser of Glasgow University is Head of Scottish Liaison and will organise regular seminars and workshops in Scotland in association with CARR. Dr Terence Gourvish (LSE) has agreed to take on a networking role for the history of business regulation research within the UK. As part of a more general networking strategy, CARR has made contacts with a number of UK research institutions with a view to developing a programme of workshops that might lead to future research collaborations. We also intend to establish links from 2003 with the network(s) funded under the ESRC's Research Networks Competition (Risk in its Social Context). This could provide valuable potential for CARR to introduce new perspectives and expand the breath of its work in areas such as: the legitimacy of public decision-making on risk; the lay role in setting risk regulatory standards; the implications of new appetites for stakeholder participation in governance; the impact of pressure groups on regulation; controls on risk appetites.

### 5.1 Seminars and Conferences

CARR's Outreach programme was launched in September 2001 with Prosser's Glasgow Conference on 'Regulation and Risk in the New Scotland.' Around thirty attendees from universities, pressure groups and government explored a series of issues relating to risk management and regulation within devolved government. Baldwin and Power started proceedings with an outline of CARR's Outreach policy and the CARR research programme.



The Water Industry Commissioner for Scotland, Alan Sutherland, looked at the future of his regulatory sector and focused on its potential for efficiency gains. Trisha McAuley, Head of Corporate Resources, Scottish Consumer Council spoke about the consumer role in Scotland, arguing the case for placing a duty on regulators to justify not following the advice of their consumer bodies.

The search for better regulation in Scotland was the theme of Alisdair Meldrum, Head of Business Environment and Consumer Affairs, Scottish Executive Enterprise and Lifelong Learning Department. His talk concentrated on the work of the Improving Regulation in Scotland (IRIS) Unit. Kevin Taylor of Shepherd and Wedderburn Solicitors, gave a presentation on Private Finance Initiatives (PFI) and pointed out that the ultimate regulating force within PFI was the need to convince banks of viability.

Moving to constitutional issues and regulation within a devolved Scotland, Professor Alan Page of the University of Dundee focused on the tendency of regulatory devolution to drive policy-making deep into the layers of government. The final talk of the day was given by Professor Joyce Tait of SUPRA – the Scottish Universities Policy Research and Advice Network, University of Edinburgh – who warned that precautionary approaches to regulation opened the gates to fundamental, ideological positions which were difficult to deal with through processes of negotiation.

CARR is committed to supporting young researchers in the UK in addition to its affiliated PhD students. A Graduate Workshop will be held in Scotland in the Autumn of 2002. A central theme of the workshop will be the relationships between regulators and managers and how these are conceived within different regimes. In many sectors regulators become involved in the close oversight of managers, the design of systems and the planning of new developments. Similarly, managers and firms carry out a variety of regulatory and self-regulatory tasks. Such overlaps of function raise issues of accountability, efficiency and how the regulatory state is modelled at different governmental levels. Various regulatory theories are in turn challenged to account for such linkages and fusions. These and other issues will inform the Graduate Workshop.

## **5.2 Visitors Programme**

CARR offers a number of fellowships for academics each year and both invites and actively seeks applications from relevant academics. The strategy was limited this year due to space constraints.

CARR welcomed the following international visitors this year: John Braithwaite, Professor, Law Programme and Director of REGNET, Australian National University, Canberra; Fred Thompson, Professor of Management and Policy Analysis at Willamette University Salem, with a special interest in Economics of Management, Organisation and Governmental Institutions; Neil Gunningham, Professor of Law and a founding Director of the Australian Centre of Environmental Law at the Australian National University; Richard Johnstone, Reader and Associate Professor, TC Beirne School of Law, University of Queensland.

UK Visiting Fellows in 2000/1 have provided CARR with insights from private practice and government. Richard Anderson is a consultant specialist in risk management with wide experience. A former partner in the Global Risk Management Solutions group at PricewaterhouseCoopers, he was instrumental in negotiating the CARR sponsorship from them. Michael Spackman worked in HM Treasury until 1995, was Chief Economist at the Department of Transport, is a Special Advisor to National Economic Research Associates and was a member of the ESRC Steering Group for the recent 'Risk and Human Behaviour' Programme.

## 6. PricewaterhouseCoopers Risk Research Institute

The Risk Research Institute (RRI) as a dedicated part of CARR is the result of a sponsorship agreement between the LSE and the PricewaterhouseCooper's Global Risk Management Solutions investment programme. The RRI was established in November 2000 and funds a number of risk forums, a PricewaterhouseCoopers Chair in Risk Management, a Research Fellow and research grants to support a programme of independent work by other academics at LSE. All these activities are intended to connect academic and practitioner concerns, and contribute to thought leadership on key issues of corporate risk management.

### 6.1 Risk Forum

A core aspect of the RRI is the *PwC Risk Forum* which brings together senior figures from business and the public sector, regulators and corporate policy makers. The purpose of the forum is:

- To establish a regular workshop for risk management thinking
- To provide a dissemination outlet for completed or semi-completed research
- To provide an arena which may generate ideas for research
- To provide a high profile platform for networking in the corporate risk management area

In the year under review a series of very successful risk forums was organised around the general theme of Corporate Risk Appetite.

#### **Forum 1: Risk Cultures: Implications for Corporate Management (November 2000)**

Professor George Gaskell, Department of Social Psychology, LSE and CARR

This forum explored the impacts of 'two cultures' of risk. Gaskell argued that while risk experts, like scientists and risk officers, may lament public ignorance, the public are increasingly sceptical of expert assurances about risks. This duality is evidenced today in the impasse over the testing of applications of gene technology, the commercial food sector seeking competitive advantage at the cost of public anxieties and substantial financial losses amongst US and European companies. The general implications are that more inclusive models of corporate risk assessment are necessary to secure public trust and a sustainable future for new technologies. Discussion focused on extensions of these ideas and academic work on risk perception to the arena of corporate risk management.

#### **Forum 2: Corporate Risk Appetite and Risk Regulation (February 2001)**

Bridget Hutter, Peacock Professor of Risk Management and Director of CARR  
and Robert Baldwin, Professor of Law, Programme Director of CARR

This forum considered the array of available options for controlling risk within corporations and focused on the compliance implications of different strategies. It mapped out different broad approaches to, and philosophies of, risk control and considered what is known about the ways in which corporate managers respond to risk. Central are the important issues of compliance and risk appetite. Particular attention was paid to factors that are conducive to compliance within the company. The speakers also examined the elements of compliance and whether the constraints on risk appetite can be used within corporations as alternatives or supplements to compliance-seeking strategies.



**Forum 3: Risk Awareness through Strategic Planning: A Methodology for Creating Foresight and Assessing Risks of Technological Incrementalism (June 2001)**

Michael Barzelay, Reader in Public Management, Institute of Management, LSE and Research Associate of CARR and Jim Engle, Deputy Director of Strategic Planning for the US Air Force and member of the Federal Senior Executive Service

This forum addressed current academic and practitioner thinking on mitigating the risks of 'long-term institutional decline' for organisations. The sources of these risks include what has been called 'technological incrementalism' as well as competition. The forum presented a case study of the U.S. Air Force focusing on a process methodology called a 'futures game'. Senior leaders were sufficiently involved in formulating the game that its results influenced the planning agenda and corporate strategic intent. Discussion of this experience considered 'creating knowledge' as a process methodology for risk analysis and management.

To date one RRI discussion paper arising out of the above forums has been published, George Gaskell *Two Cultures of Risk*, and others are planned.

**6.2 Research and Appointments**

The RRI focuses on four general research themes:

- Compliance risk management and corporate responses to regulation
- Business strategy processes and risk
- Risk and data management issues in the virtual economy
- Operational risk management and corporate governance

The first round of funding of the *PwC Research Fund* was advertised within the LSE in June 2001 and as a result the following projects have been sponsored:

- Professor Claudio Ciborra, Information Systems Department: 'Integration and Data Management: the duality of risk'
- Professor Frank Cowell, STICERD: 'Risk Perceptions: an internet approach'
- Professor Peter Abell and Sir Geoffrey Owen, Institute of Management: 'Strategic Decision Making in Companies'

The first *PwC Fellowship in Risk Management* was held during the year by Dr Mark Stein from March to September 2001.

**6.3 Governance**

The RRI is governed by a Steering Committee of representatives from PwC and LSE which:

- Defines the research agenda for RRI
- Considers bids for research support and makes recommendations for funding
- Considers bids from, and searches for, relevant visitors to the RRI
- Oversees the programme and running of the LSE/PwC Risk Forums (see above)
- Manages the LSE/PwC relationship

The Committee has had two formal meetings this reporting year and has held regular informal meetings. This year the committee consisted of: Michael Power and Bridget Hutter (LSE); Richard Anderson (PwC until March 2001); Mark Stephen (PwC); Geoff Lane (PwC since June 2001).

# Appendix I

## Performance Indicators

### A Publications and Dissemination

- A.1 Books
- A.2 Chapters in Books
- A.3 Articles in Refereed Journals
- A.4 Non-Refereed Journal Papers
- A.5 Discussion Papers
- A.6 Other Publications

### B External Interrelationships

- B.1 Conference and Seminar Papers
- B.2 Advice to Select Committees and Public Bodies
- B.3 Overseas Visitors
- B.4 Events Organised by CARR

### C Staff Resources

- C.1 Research Staff
- C.2 Research Associates
- C.3 Support Staff

## A. Publication and Dissemination

### A.1 Books

\*denotes that publication is largely attributable to research prior to CARR

\*Hood, Christopher, Henry Rothstein and Robert Baldwin (2001)  
*The Government of Risk: Understanding Risk Regulation Regimes.*  
Oxford: Oxford University Press. ISBN: 0199543638

\*Hutter, Bridget (2001)  
*Regulation and Risk: Occupational Health and Safety on the Railways.*  
Oxford: Oxford University Press. ISBN: 019924250X

\*Rosenhead, Jonathan and John Mingers (eds) (2001)  
*Rational Analysis for a Problematic World Revisited: Problem Structuring Methods for Complexity, Uncertainty and Conflict, 2nd Edition.*  
Chichester: Wiley. ISBN: 0471495239

\*Scott, Colin and Julia Black (2000)  
*Cranston's Consumers and the Law, 3rd Edition.*  
London: Butterworths. ISBN: 0406988021

### A.2 Chapters in Books

\*denotes that publication is largely attributable to research prior to CARR

#### Programme 1

\*Huber, Michael and Angela Liberatore (2001) 'A Regional Approach to the Management of Global Environmental Risks: The case of the European Community' in The Social Learning Group (eds), *Learning to Manage Global Environmental Risks: A Comparative History of Social Responses to Climate Change, Ozone Depletion and Acid Rain*, MIT Press: Cambridge, Ma. ISBN: 0262794449

\*Huber, Michael, William C Clark, Jose van Eijndhoven and Nancy Dickson (2001) 'Option Assessment in the Management of Global Environmental Risks' in The Social Learning Group (eds), *Learning to Manage Global Environment Risks Vol 2: A Functional Analysis of Social Responses to Climate Change, Ozone Depletion and Acid Rain*, MIT Press: Cambridge, Ma. ISBN: 0262194449

Hutter, Bridget and Mike Power (2001) 'Risk Management and Business Regulation' in James



Pickford (ed.), *Mastering Risk Volume 1*, Pearson Education Limited: London. ISBN: 0273653792

Power, Michael (2000) 'The Evolution of the Audit Society, its politics of Control and the Advent of CHI' in A. Miles, J. Hampton and B. Hurwitz (eds), *NICE, CHI and the NHS Reforms: Enabling excellence or imposing control?* Key Advance Ltd: London. ISBN: 1903044065

Power, Michael (2001) 'Accountancy' in Arne Hessenbruch, *Reader's Guide to the History of Science*, Fitzroy Dearborn: London. ISBN: 188496429

Power, Michael (ed.) (2001) Accounting and the Intangible, themed section of *Accounting, Organisations and Society*. Pergamon: Oxford. ISBN: 03613682

### Programme 2

Baldwin, Robert (2001) 'A Risk Framework for Regulatory Accountability' in Peter Vass, *Regulation 2001*, CRI: London. ISBN: 1857900901

Finch, Vanessa and Sarah Worthington (2000) 'The Pari Passu Principle and Ranking Restitutory Claims' in Francis Rose (ed.), *Restitution and Insolvency*, LLP: London. ISBN: 0952649977

### Programme 3

Hood, Christopher and Andrew Dunsire (2001) 'Proceduralisation and the UK Public Administration Reform' in Olivier de Schutter, Notis LeBessis and John Paterson (eds), *Governance and the European Union*, European Commission: Luxembourg. ISBN: 9289403136

\*Lodge, Martin (2000) 'The Political Economy of Utility Regulation and the Labour Government' in Lothar Funk (ed.), *Contemporary Aspects of the Third Way in the New Economy*, Verlag für Wissenschaft und Forschung: Berlin. ISBN: 3897001594

\*Lodge, Martin (2001) 'Regulatory Accountability: Towards a single citizen-consumer model?' in Keith Dowding, Jim Hughes and Helen Margetts (eds), *Challenges to Democracy: Ideas, involvement and institutions*, Palgrave: Basingstoke. ISBN: 0333789822

Thatcher, Mark (2001) 'European Regulation' in Jeremy Richardson, *European Union: Power and Policy-Making (2nd ed.)* Routledge: London. ISBN: 041522165

## A.3 Articles in Refereed Journals

\*denotes that publication is largely attributable to research prior to CARR

### Programme 1

Miller, Peter (2001) 'Governing by Numbers: Why Calculative Practices Matter' *Social Research*, 68 (2) pp 379-96

Power, Michael (2001) 'Imagining, measuring and managing intangibles' *Accounting, Organisations and Society*, 26 (7/8) pp 691-693

Rosenhead, Jonathan and Tom Horlick-Jones, Ion Georgiou, Jerry Ravetz and Ragnar Löfstedt (2001) 'Decision Support for Organisational Risk Management by Problem Structuring' *Health, Risk and Society*, 3 (2) pp 141-165

### Programme 2

\*Black, Julia (2000) 'Proceduralising Regulation: Part I' *Oxford Journal of Law Studies*, 20 pp 597-614

\*Black, Julia (2001) 'Proceduralising Regulation Part II' *Oxford Journal of Legal Studies*, 21 pp 33-58

Finch, Vanessa (2000) 'Is Pari Passu Passé?' *Insolvency Lawyer*, 5

\*Gouldson, Andy and Joseph Murphy (2000) 'Integrating Environment and Economy through Ecological Modernisation? An Assessment of the impact of environmental policy on industrial innovation' *Geoforum*, 31 (1) pp 33-44

Macve, Richard, David Gwilliam and Geoff Meeks (2000) 'Principals and agents in crisis: reforms of accounting and audit at Lloyd's in 1982-6' *Accounting History*, 5

Rothstein, Henry and Christopher Hood (2001) 'Risk regulation under pressure: Problem solving or blame-shifting?' *Administration and Society*, 33 (1) pp 21-53

**Programme 3**

Besley, Timothy and Robin Burgess (2001) 'Policy agenda, government responsiveness and the role of the media' *European Economic Review*, 45

Hood, Christopher (2000) 'Where the State of the Art Meets the Art of the State: Traditional Public Bureaucracy Controls in the Information Age' *International Review of Public Administration*, 5 (1) pp 1-12

Hood, Christopher (2000) 'Paradoxes of Public-Sector Managerialism, Old Public Management and Public Service Bargains' *International Public Management Journal*, 3 (1) pp 1-22

Lodge, Martin and Lindsay Stirton (2001) 'Regulating in the Interest of the Citizen: Towards a single model of regulatory transparency?' *Social and Economic Studies*, 50 (2) pp 75-102

\*Scott, Colin (2000) 'Services of General Interest in the European Union: Matching values to Techniques' *European Law Journal* 6 pp 310-325

Scott, Colin (2001) 'Analysing Regulatory Space: Fragmented Resources and Institutional Design' *Public Law*, pp 283-305

Thatcher, Mark (2001) 'The Commission and national governments as partners: EC regulatory expansion in telecommunications 1979 - 2000' *Journal of European Public Policy*, 8 (4) pp 558-554

**A.4 Non-Refereed Journal Papers****Programme 1**

Gaskell, George (2001) 'Agricultural biotechnology and public attitudes in the EU' *AgBioForum*

Power, Michael (2000) 'The New Risk Management' *European Business Forum*, 1 pp 60-61

**Programme 2**

Finch, Vanessa (2000) 'Corporate Killing' *Oxford Analytica*

Finch, Vanessa (2000) 'Company Rescue – The UK Dimension' *Oxford Analytica*

Finch, Vanessa (2001) 'The Deregulation Bill – Issues of Reform' *Oxford Analytica*

Freedman, Judith (2001) 'Employed or Self-Employed? A Simple Question?' *The Tax Journal*

Freedman, Judith (2001) 'Improving Guidance on Employment Status – Law and Fact: The employment status manual and the courts' *The Tax Adviser*

**Programme 3**

Hood, Christopher (2001) 'Public Service Managerialism: Onwards and upwards, or 'Trobrian Cricket' again?' *Political Quarterly*, 72 (3)

Scott, Colin (2001) 'Governance and Regulation in the Digital Age' *Smart Commerce Executive*



## A.5 Discussion Papers

### Programme 1

Hutter, Bridget and Michael Power (2000) 'Risk Management and Business Regulation' *CARR Discussion Paper, Launch Issue*

Power, Michael (2000) 'The Audit Implosion: Regulating Risk from the Inside' *Institute of Chartered Accountants in England and Wales*

### Programme 2

Baldwin, Robert (2000) 'Is Regulation Right?' *CARR Discussion Paper, Launch Issue*

Rothstein, Henry and Christopher Hood (2000) 'Business Risk Management in Government: Pitfalls and possibilities' *CARR Discussion Paper, Launch Issue*

Vogel, David (2001) 'The New Politics of Risk Regulation In Europe' *CARR Discussion Paper, 3*

### Programme 3

Besley, Timothy and Stephen Coate (2001) 'Issue Unbundling via Citizens' Initiatives' *Centre for Economic Policy Research, DP2857*

Besley, Timothy and Robin Burgess (2001) 'Political Economy of Government Responsiveness: Theory and evidence from India' *Centre for Economic Policy Research, DP2721*

Hood, Christopher and Colin Scott (2000) 'Regulating Government in a 'Managerial' Age: Towards a Cross-National Perspective' *CARR Discussion Paper, 1*

Thatcher, Mark (2001) 'The EU Commission and national governments as partners: EC Regulatory expansion in telecommunications 1979-2000' *CARR Discussion Paper, 2*

## A.6 Other Publications (Working Papers, Monographs, Pamphlets)

### Programme 1

Gaskell, George and Nick Allum (2001) 'Two Cultures of Risk' *Risk Research Institute Working Paper*

Miller, Peter and Ted O'Leary (2001) 'Value Reporting and the Information Ecosystem' *PWC White Papers*

Power, Michael (2000) 'The New Risk Management' *Proceedings of the Institute of Risk Management 2000 Conference*

### Programme 2

Rothstein, Henry and Christopher Hood (2001) 'Business Risk Management in Government: Pitfalls and possibilities' *Report to National Audit Office* (reprint)

### Programme 3

Besley, Timothy (2001) 'Political Institution and Policy Competition' *The Institute Foundations of a Market Economy, Villa Borsig Workshop Series*

Besley, Timothy (2001) 'From Micro to Macro: Public Policies and Aggregate Economic Performance' *Economic Growth and Government Policy papers, HM Treasury Seminar*

Thatcher, Mark (2000) 'The Regulation of Telecommunications in Europe' *European Policy Forum*

## B. External Interrelationships

### B.1 Conference and Seminar Papers Presented

#### Programme 1

##### Gaskell, George

'Contrasting Representations of Risk'  
Ethical Issues in Biotechnology, Sienna,  
May 2001

'Voluntary Regulation and Industrial Capacities for  
Environmental Improvement: The Case of the EU  
Eco – Audit Regulation in the UK'  
Voluntary, Collaborative and Information-Based  
Policies: Lessons and the next steps for  
environmental and energy policy in the US and  
Europe, Harvard University, May 2001

##### Huber, Michael

'Lesson Drawing and Burden Sharing in the EU  
Climate Change and Acid Rain Policies'  
UACES Study Group on EU Burden Sharing  
Workshop 1: Solidarity, Responsibility and levels of  
Integration, London, June 2001

##### Hutter, Bridget and Robert Baldwin

'Responding to Risk'  
Law and Society Association Annual Conference,  
Budapest, July 2001

##### Power, Michael

'Government as Risk Management'  
Cabinet Office Seminar, London,  
December 2000

'Risk management and the reinvention of  
regulation'  
Euroconference on Financial reporting and  
regulatory practices in Europe, Palermo,  
May 2001

'Risk Management and Corporate Responsibility'  
Risk and Morality, Vancouver, May 2001

'Standardising Management Control Practices'  
Managing out of networks and systems, Witten,  
April 2001

##### Rosenhead, Jonathan, M Cushman and LA Franco

'Learning from partners in the construction  
industry: a feedback approach to cross-  
organisational learning' 8th International  
Conference in Multi-organisational Partnerships  
and Co-operative Strategy, Bristol 2001

#### Programme 2

##### Black, Julia

'Critical Reflections on Regulation'  
Australian Legal Philosophy Society's Annual  
Conference Canberra, June 2001

'Managing Discretion'  
Australian Law Reform Commission Conference:  
Penalties, Policy, Principles and Practice in  
Government Regulation Sydney, June 2001

'Enforcement Practices and Principles'  
RegNet Seminar ANU Canberra, June 2001

##### Freedman, Judith

'Limited Liability Partnerships and Small Firms –  
a Triumph for Limited Liability?'  
Close Corporation and Partnership Law Reform in  
Europe and the United States, Tilburg University,  
May 2001

##### Freedman, Judith and Vanessa Finch

'Limited Liability Partnerships – Much ado about  
nothing?'  
Company Law Seminar Series, Institute of  
Advanced Legal Studies, London, June 2001

##### Gouldson, Andy

'Ecological Modernisation and the Environment-  
Economy Interface'  
American Association of Geographers, New York,  
February 2001

##### Gourvish, Terence

'British Rail and the Department of Transport-  
Treasury relationship: Social vs economic goals'  
American Business History Conference, Miami,  
April 2001

##### Rothstein, Henry

'Risk Regulation Under Pressure: Problem-Solving or  
Blame Shifting?'  
Centre for Environmental Strategy, Departmental  
Seminar Series, Surrey, December 2000

'Risk Regulation and Opinion Responsive  
Government'  
ESRC Engineering Democracy Workshop, Brunel,  
January 2001



**Programme 3****Besley, Timothy**

'Government Responsiveness in India'  
Polarisation and Conflict, Barcelona, January 2001

**Hood, Christopher**

'Control, Bargains and Cheating: The Politics of  
Public Service Reform'  
American Political Science Association, San  
Francisco, September 2001

'The Risk Game and the Blame Game'  
British Academy/Academy of Medical Sciences  
Conference on Risk Democratic Citizenship and  
Public Policy, London, June 2001

**Hood, Christopher and Martin Lodge**

'Pavlovian Policy Responses to Media Feeding  
Frenzies'  
Public Administration Theory Network Conference,  
Leiden, June 2001

**Lodge, Martin**

'Failure in the Regulatory State: Comparing railway  
regulation in Britain and Germany'  
Political Studies Association Annual Conference,  
Manchester, 2001

**Lodge, Martin and Lindsay Stirton**

'Regulatory Reform in Jamaica: Following, losing or  
learning the reform tune?'  
Winter symposium, Nordic Summer University,  
Copenhagen, March 2001

**Lodge, Martin and Imelda Maher**

'Liberalisation of Postal Services: Diversity in the  
face of Europeanisation?'  
Europeanisation of National Economic Orders,  
London, June 2001

**Scott, Colin**

'EU Governance as Control: Promoting  
Effectiveness and Legitimacy?'  
Law and New Approaches to Governance,  
Wisconsin, June 2001

'EU and UK Governance Reform – Wholly  
Dissimilar?'  
ESRC Future Governance/CPMS Seminar:  
Modernising Government and the EU, London,  
July 2001

'Private Governance of the Public Sector: Mapping  
Regimes'  
Annual Law and Society Association/Committee for  
Research on the Sociology of Law Conference,  
Budapest, July 2001

'The Problem of Control and Alternative Regulatory  
Models'  
EU Committee of the American Chamber of  
Commerce Alternative Regulatory Models  
Conference, Brussels, February 2001

'Self Regulation and the Future of EC  
Telecommunications Law'  
European Internet Foundation/Kangaroo Group  
Seminar on the Communications Regulatory  
Package, Brussels, October 2001

**Scott, Colin and Christopher Hood**

'Regulating Government in a Managerial Age:  
Towards a cross-national perspective'  
The Comparative Dimension of Regulation inside  
government, London, October 2001

**Scott, Colin and Andrew Murray**

'The Partial Role of Competition in Controlling the  
New Media' Competition Law and the New  
Economy Conference, Leicester, July 2001

**Thatcher, Mark**

'Delegation to Independent Regulatory Agencies:  
pressures, functions and contextual mediation'  
American Political Science Association Annual  
Meeting, San Francisco, August 2001

'Delegation and Semi-independent Regulatory  
Agencies: the promise and limits of rationalist  
analysis of institutions'  
European Consortium of Political Research Annual  
Conference, Grenoble, April 2001

'Delegation and Semi-Independent Regulatory  
Agencies'  
Delegation to non-majoritarian institutions,  
Florence, March 2001

## B.2 Advice to Select Committees and other Public Bodies: Paid consultancy and unpaid advice

### Programme 1

#### Gaskell, George:

*Advised:* European Commission

*Regarding:* Biotechnology: Future strategy for biotechnology, January 2001

*Advised:* European Commission: Science Policy

*Regarding:* Democratising expertise and establishing scientific references, March 2001

*Advised:* European Parliament

*Regarding:* Agriculture and rural development: quality production and the challenge of the CAP, June 2001

#### Power, Michael

*Advised:* Institute of Chartered Accountants in England and Wales New Horizons in Financial Reporting Group, 2000

*Regarding:* The future of financial reporting

#### Rosenhead, Jonathan

*Advised:* Greater London Authority Carnival Review Group

*Regarding:* Future arrangements for the Notting Hill Carnival, May 2001

### Programme 2

#### Baldwin, Robert, Bridget Hutter and Henry Rothstein

*Advised:* Bristol Royal Infirmary Inquiry

*Regarding:* Risk Regulation, Management and Compliance: A Report to the Bristol Royal Infirmary Inquiry, July 2001

#### Rothstein, Henry

*Advised:* French Government's Conseil National d'Alimentation

*Regarding:* Risk regulation regime variety, December 2000

### Programme 3

#### Lodge, Martin

*Advised:* Better Regulation Task Force

*Regarding:* Review of Economic Regulators, 2001

#### Lodge, Martin and Colin Scott

*Advised:* OECD

*Regarding:* Administrative Simplification Programmes in the UK, 2001

#### Scott, Colin and Bridget Hutter

*Advised:* Cabinet Office/DTI/Small Business Service

*Regarding:* Effects of Enforcement Concordat on Businesses, 2001

#### Scott, Colin

*Advised:* European Internet Foundation

*Regarding:* Alternative Regulatory Models, 2001

#### Thatcher, Mark

*Advised:* Better Regulation Task Force, Cabinet Office

*Regarding:* Legitimacy and Accountability, 2001

## B.3 Overseas Visitors

**John Braithwaite**, Professor and Business Regulatory Scholar, Research School of Social Sciences, ANU, Australia

**Neil Gunningham**, Professor, Grace and Elmer Goudy Professor of Public Management and Policy Analysis, Atkinson Graduate School of Management, Willamette University, Salem, USA

**Richard Johnstone**, Reader and Associate Professor, TC Beirne School of Law, University of Queensland, Australia

**Fred Thompson**, Professor, Director of Australian Centre for Environmental Law, ANU, Australia

**Leighton McDonald**, Lecturer, Adelaide University Law School, Australia



## B.4 Events Organised by CARR: Conferences, workshops and seminars

### Conferences and Workshops

#### CARR Launch

ESRC launch of CARR, LSE, 12 October 2000

#### CARR Workshop:

'The Comparative Dimension of Regulation Inside Government'

LSE, 13-14 October 2000

#### CARR/UACES Workshop:

'The Europeanisation of National Economic Orders: Competition Law and Utility Regulation'

CARR, 8 June 2001

#### Glasgow Conference:

'Regulation and Risk in the New Scotland'

CARR/The Centre for Regulatory Studies at The University of Glasgow, 26 September 2001

### Seminars

#### 'The Engineer's Dilemma: A sociological perspective on juridification and regulation'

Dr Fiona Haines, University of Melbourne, December 2000

#### 'Risk Regulation in Contemporary Europe: An American Perspective'

Professor David Vogel, Department of Political Science and the Haas School of Business, University of California, January 2001

#### 'Addressing Environmental Risk in the Developing World: Vulnerability and Social Activism'

Dr Tim Forsyth, Department of Geography and Environment, LSE, February 2001

#### 'From Risk to Indeterminacy: Introducing Science to Culture in Modern Times'

Professor Brian Wynne, Lancaster University, May 2001

#### 'Health Care Ethics and Clinical Risk Management: What does Regulation have to do with Morality?'

Dr Richard Ashcroft, Imperial College School of Medicine, June 2001

#### 'Regulating risk disclosure in Germany – A leap into the unknown'

Professor Martin Glaum, Justus-Liebig-University Giessen, June 2001

### Risk Research Institute Forums

#### Risk Forum 1, PricewaterhouseCoopers, 30 November 2000

##### 'Two Cultures of Risk'

Professor George Gaskell

Dept of Social Psychology, LSE and CARR Research Associate

Mr Nick Allum

Institute of Methodology, Research Officer on an EU Funded project 'Life Sciences in European Society'

#### Risk Forum 2, LSE, 27 February 2001

##### 'Corporate Risk Appetite and Risk Regulation'

Bridget Hutter

Peacock Professor of Risk Management  
Director of CARR, LSE

Robert Baldwin

Professor of Law

Programme Director of CARR, LSE

#### Risk Forum 3, PricewaterhouseCoopers, 18 June 2001

##### 'Risk Awareness through Strategic Planning: A Methodology for Creating Foresight and Assessing Risks of Technological Incrementalism'

Michael Barzelay

Reader in Public Management  
Institute of Management, LSE

Jim Engle

Deputy Director of Strategic Planning for the U.S. Air Force and member of the Federal Senior Executive Service

## C Staff Resources

### C.1 Research Staff

	Funding Source	% Commitment to CARR
Professor Robert Baldwin, Programme Director	ESRC	40%
Professor Timothy Besley, Researcher	ESRC	15%
Dr Julia Black, Researcher	ESRC	20%
Ms Vanessa Finch, Researcher	ESRC	15%
Professor Judith Freedman, Researcher	ESRC	15%
Mr Andy Gouldson, Researcher (May – September)	BP	Project
Dr Terence Gourvish, Business History Unit	ESRC	Fee basis
Professor Christopher Hood, Programme Director	ESRC	20%
Dr Michael Huber, Aon Fellow (February – September)	Aon	100%
Professor Bridget Hutter, Director	Peacock	100%
Dr Martin Lodge, Senior Research Officer (February – September)	ESRC	100%
Professor Richard Macve, Researcher	ESRC	20%
Professor Peter Miller, Researcher	ESRC	20%
Professor Michael Power, Director	ESRC	75%
Professor Jonathan Rosenhead, Researcher	BP	Project
Dr Henry Rothstein, ESRC Research Officer	ESRC	100%
Mr Colin Scott, Researcher	ESRC	20%
Dr Mark Stein, PwC Fellow (March – September)	PwC	100%
Dr Mark Thatcher, Researcher	ESRC	20%

### C.2 Research Associates: internal

Dr Michael Barzelay, Institute of Management  
 Professor George Gaskell, Methodology Institute  
 Professor Larry Phillips, Department of Operational Research  
 Professor Judith Rees, Department of Geography and Environment

### C.3 Research Associates: external

Mr Tom Horlick-Jones, University of Cardiff  
 Professor Brian Wynne, University of Lancaster  
 Professor Tony Prosser, University of Glasgow

### C.4 Support Staff

Mr David Black, Administrative Secretary (January – September)	ESRC	100%
Ms Louise Newton-Clare, Centre Administrator	ESRC	100%
Ms Abigail Walmsley, Administrative Assistant (October – May)	co-funded	100%
Ms Elizabeth White, Administrative Assistant (September)	ESRC	100%



## Appendix II

### Statement of Expenditure

Funding Source	£	Expenditure	£
Economic and Social Research Council (ESRC)	309,242	Staff Costs	643,619
Deutsche Bank	165,886	Other Research Costs	76,541
Michael Peacock Charitable Foundation and Aon	189,584	Risk Forum	34,681
PricewaterhouseCoopers	78,598	Conferences and Travel	27,985
BP	47,808	Equipment	24,610
Smith Institute	11,967		
Other	4,351		
<b>Grand Total</b>	<b>807,436</b>	<b>Grand Total</b>	<b>807,436</b>

Notes to the CARR Statement of Expenditure for all periods ending 30 September 2001:

1. The financial statement of expenditure has been prepared on the accruals basis and includes estimates where central overheads have been incurred but not yet recovered from CARR budgets. These figures are unaudited.

2. The ESRC reporting period for research centres is for the year ended 30 September. The ESRC financial and budgetary year end is 31 March.

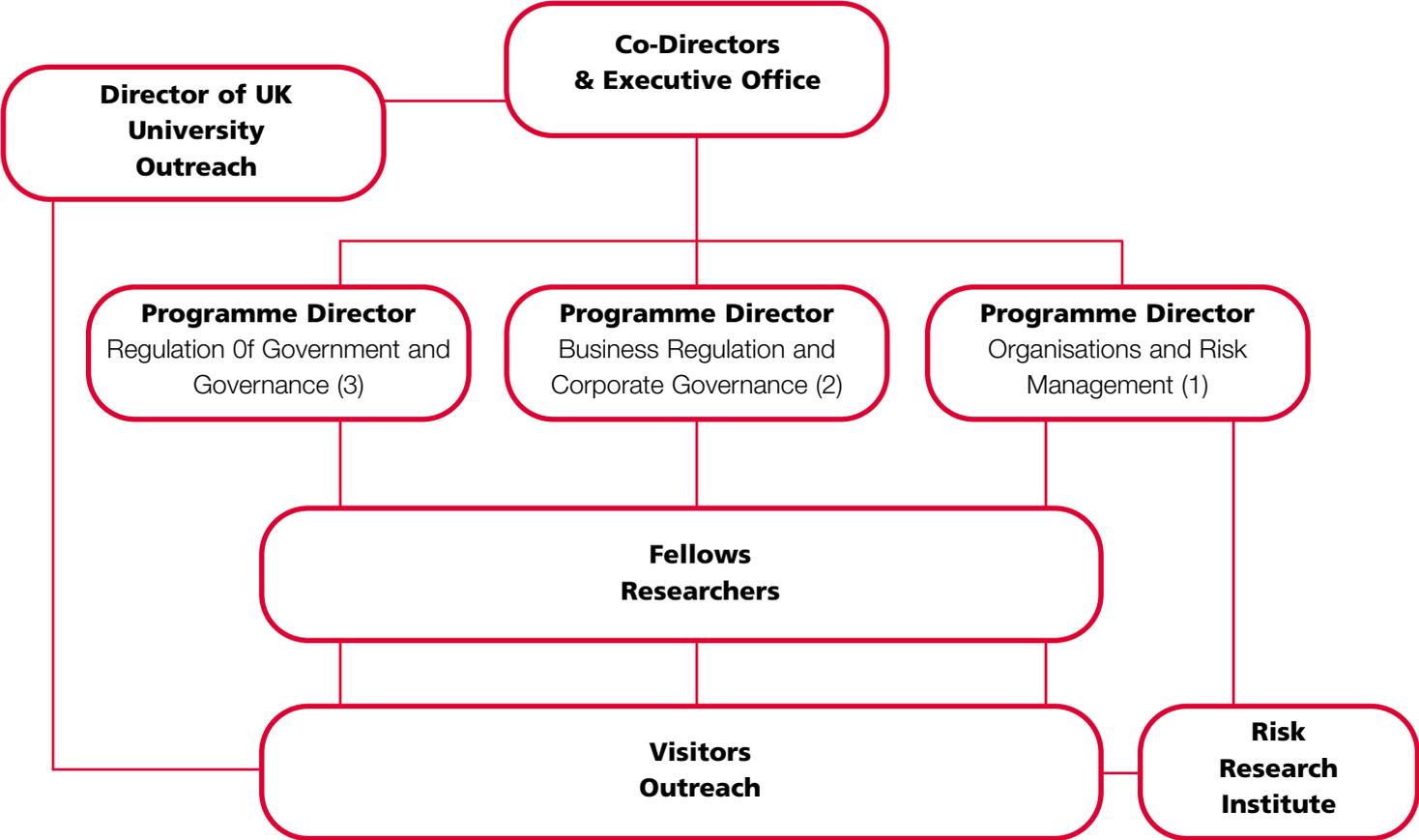
3. Deutsche Bank expenditure is stated for the 27 month period 1 July 1999 to 30 September 2001.

4. Expenditure for PricewaterhouseCoopers, Aon and BP is stated for the 15 month period 1 July 2000 to 30 September 2001.

Expenditure for the Michael Peacock Charitable Foundation is stated for the 17 month period 1 May 2000 to 30 September 2001.

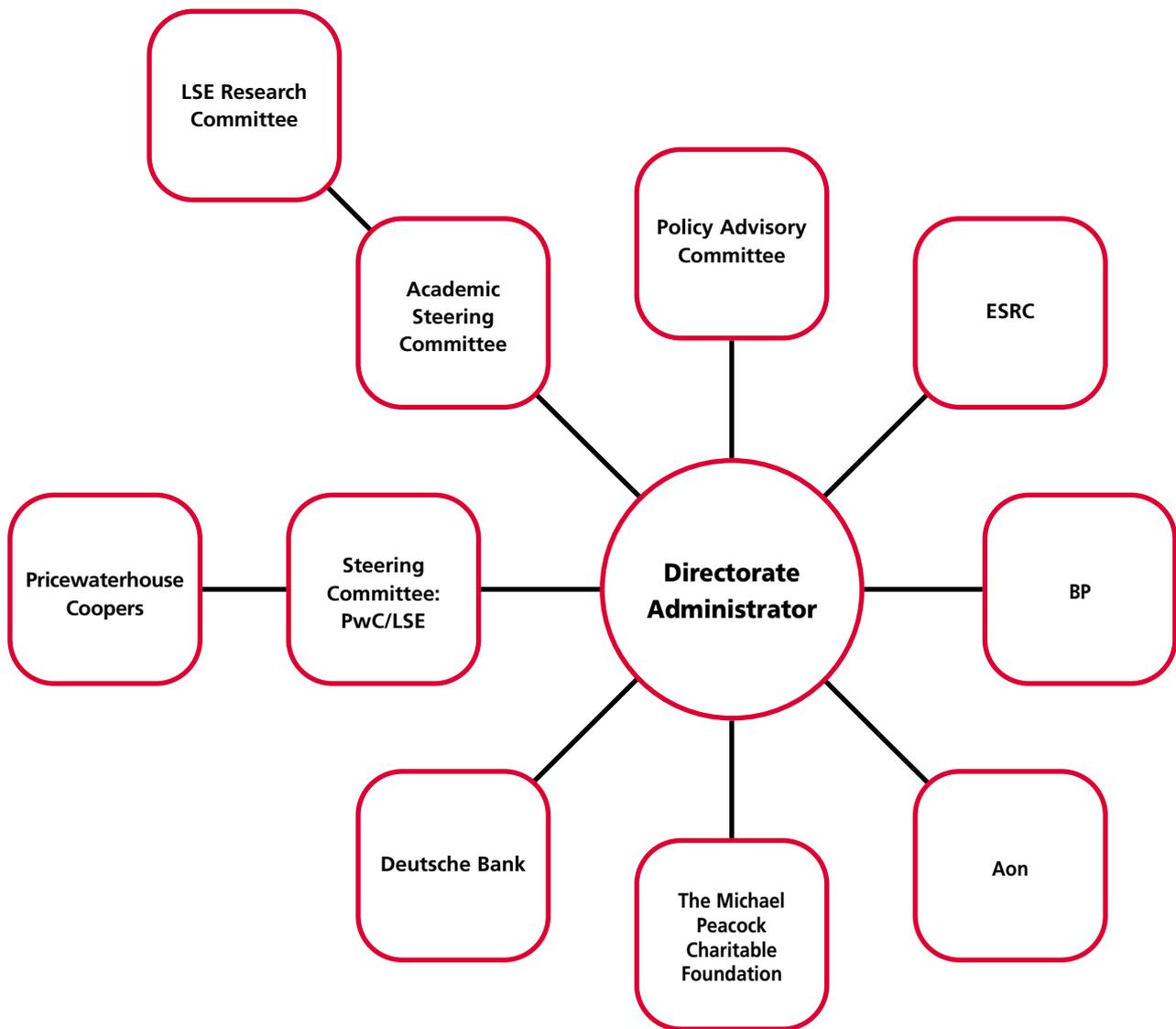
# Appendix III

## A Governance – Internal Management



## Appendix III

### B Governance – External Accountability



## Sponsors:





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