

# The Institutional Origins of Risk\*

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The emergence of risk as an organising concept for regulation and governance has been the subject of considerable debate. There is no shortage of explanations for these developments. For Ulrich Beck, this is the 'Risk Society' in which we face risks that are qualitatively different to those of the past. For others, risk simply promises to offer a rational instrument for managing threats confronting society as well as aiding entrepreneurialism within government and business. But for Mike Power, risk is another 'ritual of verification': a management fad that could lead to the 'risk management of everything'.

Within these diverse explanations, we can identify two distinct ways in which risk has become central to contemporary regulation. Most obviously, there has been a growth in the regulation of 'societal risks', such as threats to the environment, health and safety, or financial services. Accompanying that expansion has been a qualitative shift towards managing the 'institutional risks' of regulation; that is, threats to organizations regulating societal risks and their practices - such as liabilities, bureaucratic failure and loss of reputation. Societal risks and institutional risks are easily elided, but they need to be distinguished and their dynamic relationship understood if we want to understand our contemporary preoccupations with risk. In so doing, risk can be seen to assume contemporary significance not so much because of a changing distribution of real, or imagined, ills in society, than by a changing distribution of ills in regulation.

This paper argues that the inevitable difficulties of managing threats to society- 'societal risks' – creates threats to regulatory organisations managing those risks – 'institutional risks'. The potential for failure has always been part of regulation, but contemporary pressures towards greater coherence, transparency and accountability have amplified institutional risks by exposing the practical limits of regulation. Framing the objects of regulation in terms of risk, however, provides a way of reflexively managing the associated institutional threats by explicitly anticipating the practical limits of regulation within probabilistic calculations of success and failure.

The paper outlines how the institutional dynamics of contemporary regulation can lead to a phenomenon of 'risk colonisation', whereby risk increasingly comes to define the object, methods and rationale of regulation. It then goes on to consider some of the possible positive and negative consequences of risk colonisation and concludes by suggesting ways in which the study of institutional risk can help us understand the relationship between risk and regulation.

\* This paper draws on Rothstein, H., Huber, M., and Gaskell, G. (2006) 'A Theory of Risk Colonisation: The spiralling regulatory logics of societal and institutional risk'. *Economy and Society*, 35 (1): 91-112.