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Embracing Risk: The Changing Culture of Risk and Responsibility, by Tom Baker and Jonathan Simon, Eds., Chicago: The University of Chicago Press, 2002

Reviewers: Anne Kleffner, Norma Nielson, and Stephanie Bertels, University of Calgary

Editors Baker and Simon trace the evolution of modern society into one of "more insurance for more people" and then provide a strong case that the next evolution is beginning. They contend that society is in the process of an important transformation in the approach to risk and responsibility, an approach they call "embracing risk" and support that view by analyzing the role of insurance institutions in the distribution of responsibility. *Embracing Risk* captures two related cultural trends: risk spreading and a reaction against risk spreading, which has resulted in efforts to make people more individually accountable for risk.

The book's 11 chapters are united under the banner of the sociology of insurance and risk. The essays are intended to reflect change along two axes: changing ways of governing risk and changing ways of doing the sociology of insurance and risk. The editors see the embrace of risk more as recognition of the limits of risk spreading than as a wholesale replacement for it. They assert that the book focuses less on what is a risk than on the use of risk in the social construction of reality.

The book is treated in two parts, with only the first seven chapters dealing with insurance directly. The first part focuses on the interplay between risk and insurance in various historical and social contexts. The second chapter by Baker explores shifting relationships between risk, insurance, and responsibility including how ideas about responsibility and risk shape insurance and vice versa. Deborah Stone's essay in Chapter 3 introduces the concept of the moral opportunity of insurance which, in her words, "creates social mechanisms that tend to increase what gets perceived as insurable and deserving of collective support" (p. 53). In Chapter 4 Geoffrey Clark provides an historical look at gambling and the development of the modern insurance regime in the 18th century England. Developing the theme chronologically, Pat O'Malley follows with an examination of the governance of insurance in the 19th and 20th centuries that explores changing ideas about the moral development of the working poor. Chapter 5 discusses the role of insurance in the active construction of individual and social responsibility. Carol Heimer's perceptions in Chapter 6 see expanding insurance regimes as a coercive force that reinforces social class differences by restricting choices available to those that cannot access insurance. She also turns the tables on insurers by characterizing the insurance institution as a moral hazard threat because they seek to minimize what gets classified as loss. The final chapter in Part One has Martha McCluskey exploring the relationship between differing visions of insurance and the increasing inequality within and among societies. She looks at workers compensation, the IMF, and the Federal Reserve and explicitly asks who insurance companies protect. "Who takes the risk and who gets the security?"

The second part of the book focuses on the concept of embracing risk in fields outside of insurance. In particular, it examines how risk thinking plays out in areas in western society by Simon's discussion of risk and security in the context of extreme sports, Rose's discussion of the modern mental health systems community, and Ericson and Haggerty's examination of the police as agents of a risk society. Through these diverse examples, the editors attempt to demonstrate that risk is not objective, but rather a socially constructed concept.

The concluding chapter by François Ewald suggests that the logic of government may be moving beyond risk to precaution. He discusses the shift in the 19th century from providence and individual responsibility to a 20th century view of prevention and solidarity. Now in the 21st century, he sees an emerging trend toward safety and precaution. In particular, the precautionary principle as a reaction to risks we cannot control.

Embracing Risk provides an interesting perspective on the historical and social context of insurance, its initial purposes, and its intended and unintended effects. It does a superb job of including background research and references that go beyond English language materials. The essayists, in particular, give due credit to François Ewald's *L'Etat Providence* and Ulrich Beck's *Risikogesellchaft*. They not only capture but also emphasize a point that economists sometimes fail to acknowledge—that both the positive and negatives consequences of risk should be considered equally. That being said, there is a clear absence of citations of the insurance economics literature, which, although having a different perspective than the sociological literature, still addresses many of the same issues and informs the discussion about insurance, risk spreading, and other related themes.

Given that the book is focused on the sociology of insurance and risk, economics plays only a minor role. In fact, while the introduction cites a wide range of books, almost the only journals included are law reviews. Many other chapters are similar—the books produced by social scientists are reflected alongside the thinking of legal scholars. But the insurance literature is represented primarily by references to rudimentary texts and an occasional article from a professional magazine like *Business Insurance*, *National Underwriter*, or *Risk Management*. Little or no reference is made to the *Journal of Risk and Insurance*, *Journal of Risk and Uncertainty*, or others that might be expected by insurance scholars. However, at least some of the important insurance work from economics journals (e.g., Rothchild and Stiglitz) does appear.

While the editors did not frame their discussions in what *JRI* readers might consider the "typical" way, the primary themes and assumptions in the book are easily understood from an economic standpoint. For example, the issue of moving away from "more insurance for more people" to greater risk sharing and making individuals more responsible for their well being is completely consistent with controlling moral hazard and aligning incentives in order to reduce claims. Further, the movement away from "more insurance for more people" may also be partly explained by the change in risks and the creation of new risks that do not as easily lend themselves to accurate measurement and credible pricing. Hence, although it may be true that individuals and society are now embracing risk, this is most likely not only due to sociological causes, but also economic causes. Important dimensions would have been added to the discussion by including these additional concepts. For example, is the reducing role of insurance occurring in any way because risks today are less likely to meet the criteria for "ideally insurable risks"? And, there is no discussion of the role of increasingly sophisticated consumers—especially corporations and governments that insist insurance provide not only risk transfer, but also *cost-effective* risk transfer.

Although written from a sociological perspective, *Embracing Risk* raises substantive issues that help inform the debate on such topics as social insurance and insurance regulation. For example, given that lenders require insurance for approval of a mortgage, insurers' underwriting criteria are, in effect, governing who can or cannot buy a home. As such, insurance is a form of regulation and has the potential to affect individuals and society in a significant way (both positive and negative).

Embracing Risk also contributes to the discussion regarding Enterprise Risk Management (ERM), without actually using that term. In emphasizing the need to view risk as having both positive and negative consequences, and in recognizing that risks are more interrelated now than in the past, the book helps to make the case for ERM as a practical strategy in today's environment. In addition, the precautionary principle that is discussed in the last chapter parallels changes we see occurring in corporate governance guidelines. That is, given that uncertainty still exists even after our best attempts at assessing and quantifying risk, decision makers need to attempt to anticipate "what if" scenarios that imagine the worst case scenario and develop strategies that can mitigate the negative effects of such outcomes.

This is a book of essays. As such, it is written by a collection of authors and the connections between individual essays are not always clear, despite summaries in Chapters 2 and 9 that attempt to highlight the themes and connections. The work itself would have been enriched by greater synergy among writers and the book certainly would be more accessible if better bridges existed between and among the essays. In particular, the chapters on mental health and policing are not tied as well into the main theme of the book as are the other essays.

This book will be of interest to social historians and social theorists who do not have a background in insurance. And for scholars who do possess a background in insurance, this volume contains more historical depth and insights than they would normally consider and also provides important sociological considerations that relate to the risk and insurance economics literature. If a reader should find his or her interest in the book waning, the reviewers strongly believe that it would be a mistake to stop without reading the concluding chapter.

The Theory of Demand for Health Insurance, by John A. Nyman, 2003, Stanford Economics and Finance, Stanford, California: Stanford University Press.

Reviewer: Michel Grignon, Senior Scientist, Health Economics, IRDES (Institute for Health Economics)

This book exposes a new theory of demand for health insurance. Not only is this theory really new (even radically new), but it is highly welcome as well. If this theory is taken seriously by health economists, the dialogue will be easier and more fruitful between them and physicians, policy makers, health services researchers, and even the general public. To tell it in a nutshell, this book provides a much more realistic theory of demand for health insurance than the one economists routinely use, but without dropping the core of the normative economic approach of demand.