‘We humans are great at creating tools with unforeseen consequences. For instance, when we invented the wheel, we had no way of knowing we were also laying the foundations for the TV show Top Gear. Did our forebears pause to consider the impact of prolonged exposure to Richard Hammond might have on future generations?’ Charlie Brooker (2012).

In this critical reflection I will use the framework of Risk Society (Beck, 2011) to examine the financial crisis of that struck in 2008, through this process I hope to examine aspects of the Risk Society thesis, and seek to examine whether or not our contemporary society can be characterised by risk – do we really live in a Risk Society?

‘In the first week of October 2008 a deregulated banking system brought the entire economy of the world to the brink of collapse. It was the product of giant hubris and the untrammelled power of financial elite. The crisis happened because the world was persuaded to forget the causes and consequences of 1929. It must never forget the events of 2008’ Mason (2010, p.173)

The economic crisis that capitulated in October 2008, and has since continued to affect global financial markets, represents an extremely powerful articulation of Ulrich Beck’s Risk Society (2011). The aspects of the crisis that so powerfully articulated the risk society thesis are the global nature of the crisis – what has been called ‘glocal’ (Robertson in Beck 2000 p:218); the temporal dimensions; the causes and mechanisms that first created and then further perpetuated, and finally transformed risks into catastrophe; and also the actions taken in response by a combination of individuals, governments, state and non-state actors, to try and manage the effects of the catastrophic realisation of risk.

I feel it is crucial first to understand what a risk – in risk society – actually is, especially if, as Beck suggests we are on the edge, or at the beginnings, of a risk society (Beck, 2011; 2000; Beck et al. 1994). Risks are the suggestions of destruction, as opposed to the actual destruction itself (in this essay the actual destruction will be referred to as a catastrophe) (Beck, 2000). Risk society is therefore a society characterised by ‘a systematic way of dealing with hazards and insecurities induced and introduced by modernisation itself.’ (Beck, 2011: p.21).

What confuses the notion risk is the fact that a risk unknown is not a risk at all, as it is unknown; risk are only made real in their impact and the productive effect they have on actors (Beck, 2011; 2000). To help understand, Wittgenstein’s theory of language is used.
as a metaphor: in short words only have meaning through their use, there is nothing objective (pre-existing) about them, they are made useful through use and so at once are shaped by use, like a risk only real in its affect, its use (Wittgenstein, 1974).

The risks of the economic crisis of 2008 were therefore the potential collapse of the markets of financial capitalism that shaped government response to the realisation that a particular aspect of financial capitalism had failed (derivatives), as and when those very markets did collapse in October 2008; resulting, in the ‘bailing out’ of global financial institutions by global governments. The catastrophe resulting from the risk is the austerity measures being imposed worldwide, the massive rise in global unemployment in numerous employment sectors, and the negligible growth of financial markets. The financial crisis was facilitated by a financial elite who thought little, if at all, about the welfare of wider society, and has impacted disproportionately on groups which had little influence on the creation of risks.

Paul Mason (2010) traces the roots of the crisis, and via this process highlights a major aspect of the risk society as noted above the ‘induction and introduction by modernisation itself.’ (Beck, 2011p.21). Mason (2010) shows that in the latter years of the Presidency of Bill Clinton in America (1993 – 2001), laws regulating financial conduct were repealed to allow much freer action on the part of financial capital actors; this deregulation was meant to further engage growth and enhance stability through market self-regulation – embodying principle of liberal enlightenment philosophy that was a touchstone for the process of modernity. Mason (2010) notes that investment banks had, for a long time been working around the governmental regulation, but it was the active removal of the regulation under Clinton that is significant. The effects of the repeal of laws and introduction of new ones enabled the financial device of derivative trading to grow. Concisely, derivative trading is trading on potential future occurrences. Derivatives are, in essence, gambling. The management and objective judgment of risks is the key to gambling and demonstrates well the relation to Risk. The objective assessment and management of risk, is crucial to the risk society as it is a method used across society, for example calculating acceptable amounts of pollutants in the air or food supply in order to carry on with an environmentally damaging process. Risk management, as an industry is one that is expanding.

Deregulation and derivatives, according to Mason (2010), were the germ of the current financial crisis, but it is the advances of the late twentieth century that enhanced the potentialities for risk; the advances in information and communication technologies (ICTs) and the establishment of what some have called a network society (Castells, 2010). The establishment of networks dissolved previous spatial/temporal boundaries; financial markets spanned the entire world. This is a key aspect of the risk society as historically risks were confined by space and time, however with the advance in technologies risks now know neither spatial nor temporal boundaries (Beck, 2011;2000; Beck et al. 1994). The global financial crisis has impacted around the world, and the cost will still be being counted many years from now, and by people not even born when it capitulated. What fascinates me is the seeming lack of thought given by those within global financial institutions to the consequences of their actions. The immediacy of global financial markets seems to have created a state of mind within the actors of global finance that ignores any long term possibilities with the over cognition of short term gains.

‘Technology has played a huge part in changing peoples attitudes to banking in the sense that traders are now quick in reaction, they take views that don’t necessarily think through [the consequences]’ Sir Evelyn de Rothschild (2012)

However emblematic the choices of legislators in Washington, the potential toxicity of derivatives, or even the ‘latent side effects’ (Beck, 2011) of all pervasive global financial networks are of a risk society. The key point is the role played before and after by global (but particularly Western) governments and their use of ‘logical control’ (Beck 2011; 2000) to create, unwittingly, the fertile ground for such a catastrophic crisis.

The process can be seen to begin with the movement of heavy manufacturing industries to the global poor countries due to lower wage demands, this in turn removed the historical driver from Western nations and required a paradigmatic shift in the economy that can simply be seen as productive to consumptive
For consumer economies to grow individuals must have money to spend, and as jobs were being lost (owing to the movement of productive industry) and real wages were stagnant or declining, credit was proliferated and drove consumer spending (Mason 2010). The ‘logic of control’ on the part of states was to keep interest rates low, through their central banks, which encouraged spending and made borrowing cheap. Money was also introduced into the economy through the growth of financial capital industry and its’ profits (in 2007 global GDP was $63 trillion, derivative investments $596 trillion) (Mason, 2010 p.66).

It was this drive for cheap credit that was finally perceived as a risk – and so became a risk – with the collapse of the sub-prime mortgage market in the USA (Beck, 2011). The risks were suddenly made clear to the global financial institutions and they immediately resorted to the logic of modernity (capitalism) and froze – all interbank lending (the day to day oil that keeps economies running) ceased as trust in the market was destroyed (Mason, 2010).

The response of governments the world over was to absorb the debt of the major global financial institutions so as to stop them from collapsing, this initially was thought to have alleviated the risk but all it did in fact was transfer the risk to the citizen’s of states who’s tax money was now keeping the banks alive. This saliently highlights a key aspect of Beck’s (2011; 2000) thesis, that of the rationality of modernity’s (scientific/technical) inability to acknowledge risk-producing factors as it is so tied up with the idea of objectivity, it cannot think subjectively about itself. It can’t see the wood for the trees. It is with this stubborn objectivity that has led governments globally to enact only piecemeal legislative reforms on the banking systems. A discussion of what could/should be done is a subject for another essay (at least!). Suffice to say that deregulated markets are still the norm; major Western economies are still consumer based; credit is still easily available. The UK government has actively promoted spending, interest rates are still historically low, and extra bank holiday was even used to get people out to the shops.

There has been a rise in opposition to logic of control of governments responding to the financial crisis, but it has not been based on ‘sub-politics’ as Beck’s theory would suggest (2011; 2000; Beck et al. 1994). The clearest example of the opposition can be seen in the reaction of the Greek people to the swinging austerity measures wrought on them by the EU (itself a modernising institution). The idea of ‘sub-politics’ suggests a political identity that is not based on traditional bases e.g. class, nor is it as simple as identity politics, but instead it can be seen as a self-organised group of individuals in the pursuit of a single issue – excellently demonstrated in the environmental movement (Beck et al. 1994). What have been seen in Greece, and in this country (Trade Union protests) is a more traditional, class based political mobilisation in the pursuit of social justice issues, particularly wealth redistribution. Recently too their has been a pan-European general strike against the logic of control of the Eurozone and the austerity measures being enacted upon members of the Euro.

In this critical reflection I have examined several characteristic features of risk society – glocality of risks, the temporal dislocation, the multitude of productive element that signifies the unaccountability of risk, and the failure of techno/scientific rationality. I have also given brief comment to the political implications of risk society and the financial crisis. All of which have led to the conclusion that, on the basis of the evidence above, we are currently living through a period that can be defined by risk – we do live in a risk society.
Bibliography


Sir Evelyn de Rothschild (21/11/2012) BBC Newsnight, BBC2 First Broadcast 21st November 2012, 10:30pm.


Picture 1: 
http://www.fleur-de-coin.com/coinfacts/unitedstates_3.asp

Picture 2: 