

The Privatization of Risk

Craig Calhoun

The Hurricane Katrina disaster shocked Americans, at least briefly, into recognizing profound social inequalities. The coincidence of race and poverty was a national embarrassment, though charitable responses far outstripped any effort to change social structure.

An especially inept government response made clear that though officials have been spending billions on “preparedness” and “homeland security” they had not achieved either. Officials who said “intelligence” was so important that government data collection should override privacy safeguards ignored the data that clearly predicted a storm disaster and demonstrated the inadequacy of levees and emergency plans alike.

One could concentrate on outright corruption—“preparedness” funds allocated on the basis of pork barrel politics rather than actual assessment of risks, or relief efforts designed more to enrich corporations with government connections than deliver services to the suffering. But beyond the corruption is a much more explicit policy: privatizing risk. Making individuals bear the brunt of hardships that are predictable in the statistical aggregate without effective mechanisms to share the burden, let alone reduce the risk.

Social institutions built over generations are being systematically unfunded and dismantled. Failure to respond effectively to Hurricane Katrina is thus connected to proposals to privatize social security. Inadequate provision of public assistance to move the sick and elderly from New Orleans hospitals is part of a widespread pattern of reducing the public provision of public goods in favor of reliance on private markets or just plain tax cuts. It’s not only incompetence, in other words; it’s policy.

And privatization is policy in a host of other domains as well.

- It is no accident that state funding for some of America’s greatest public universities has shrunk to as low as 8% of their costs (and no accident that their students come every more from wealthy families, forcing ordinary middle class students to branch campuses).
- It is no accident that laws have been changed to encourage universities to treat the work of their scientists as private intellectual property rather than public knowledge, even when federal government grants pay for its production (or that the primary beneficiaries of the policy change are a small number of relatively rich universities).
- It is no accident that the same government that appointed Michael Brown to head FEMA appointed Michael Powell to head the FCC—where he sought to overturn restrictions on concentration of media ownership, including even those that formerly guaranteed the existence of locally operated radio stations to broadcast civil defense warnings.

- It is no accident that flu vaccine is in short supply, or that the US government wants to impose user fees on essential health services, even imagining it can treat epidemic diseases through private fee-for-service (or for drug) medicine.
- It is no accident that the government avoids dealing with the clearly demonstrable fiscal crisis of Medicare and the collapse of more and more private pension schemes while promoting the “reform” of social security through provision for “personal” accounts and individual investment decisions (even when all serious empirical analyses indicate that social security does not face the funding crisis that Medicare does).

The early 21st century has seen a concerted effort to limit protections and privatize risk, to roll back public provision of public goods, and to restructure public communications on the basis of private property rights rather than any broader conception of communicative rights. These are all pronounced trends in the United States, and also advanced abroad by both the prominence of an “American model” and the direct policy interventions of the US government and some US-based businesses. But they aren’t unique to the United States. Preference for private property over public institutions has become a global policy.

Indeed, marketization of social institutions was pioneered in the 1970s by Margaret Thatcher’s government in Britain. It is linked to both fiscal and legitimacy crises in welfare states. It has been recommended to the developing world by the World Bank and IMF. And it has indeed gained enormous traction in the United States.

Marketization affects not only the distribution of wealth but of risk. We cannot eliminate risks, but public policy choices shape the extent of risk. For example, technological systems—like levees and pumps around New Orleans, or nuclear power plants, or the Internet—can never be risk free, but can be designed with different provisions for safety and with recognition that, in Charles Perrow’s phrase, they make accidents “normal” even though specific occurrences and especially their timing are more or less unpredictable.¹ Thinking of disasters merely as unpredictable “emergencies” naturalizes them, obscures human responsibility, and impedes dealing with basic causes.²

Investing in safer technologies—or a more peaceful world order or a healthier population—may reduce risks. “Preparedness,” by contrast, focuses on response, when abstract risks turn into actual disasters. We prepare for both immediate assistance—with ambulances and emergency rooms, fire departments and civil defense alerts—and meeting longer term needs. And in this regard is worth noting that we either prepare or fail to prepare not only for mass catastrophes like floods or bombs, but for individual

¹ Charles Perrow, *Normal Accidents* (Princeton: Princeton University Press, rev. ed. 1999). See also Diane Vaughan, *The Challenger Launch Decision: Risky Technology, Culture, and Deviance at NASA* (Chicago: University of Chicago Press, 1997).

² Craig Calhoun, “A World of Emergencies: Fear, Intervention, and the Limits of Cosmopolitan Order,” The 2004 Sorokin Lecture, *Canadian Review of Sociology and Anthropology*, 41.4 (November 2004): 373-95.

catastrophes like car crashes or severe illnesses. But if preparation makes sense, the jargon of preparedness is often manipulated to advance other agendas.

The ways in which such responses are organized are inextricable from the shifting relationships of “public” and “private” domains in modern life. This is especially significant for the third set of issues, those that center on sharing risks.

Risks create market opportunities, and private property can sometimes shield owners from risks or at least help manage their consequences. But managing risks is also one of the basic reasons for the development of social institutions. It is basic to traditional notions of community, family, and collective responsibility. Religious charities have aided the victims of misfortune without necessarily managing vulnerability. Members of medieval craft guilds created funds to sustain each other in the face of market crises. And as the Bible tells us, Joseph advised Pharaoh to set aside grain against a coming dearth and the wisdom of this policy saved people throughout the region and enhanced Egypt’s standing.

Through most of history, individuals and families bore the risks of earthquake, fire, flood, famine, plague and pestilence without effective state action. The development of more effective public institutions to share the burdens of these risks is among the great achievements of the modern era, especially the 20th century. But the achievement is not merely threatened, it has already begun to be undermined.

Moreover, cuts in state “safety nets” are not being matched by more effective private or civil society action. On the contrary, private pension funds are collapsing and corporations using bankruptcy provisions to avoid providing health care and other benefits to retirees—and sometimes to active workers. These actions may or may not be necessary to keep companies alive and benefit other stakeholders, but they reveal that private provision for risk is in trouble at the same time as public. As many as a fifth of Americans lack health insurance for some or all of every year.

The privatization of risk is not only a matter of reductions in programs explicitly designed to share risk, but also a result of weakness in the provision of other public goods. At the same time that states expanded their provision for those on whom collective risks fell as personal hardships, they also expanded their provision for the creation of public goods such as transport networks, rural electrification, and public universities.

Of course, the effort to provide public goods and manage risks on the scale of large populations also entailed unprecedented interventions into what had commonly been considered private life or the affairs of families, communities, churches, and charitable institutions. There were questions not only about rights to claim government action but rights to opt out of it.

The 19th and 20th centuries, then, saw the expansion of markets based on private property, giant corporations based on limited liability and relative autonomy, state

provision of public goods, and attempts to treat the distribution of risks as an issue demanding public action. While there were new kinds of risks—from railroad accidents to nuclear power plant failures—it is not clear that human life actually became more risky. Certainly people lived longer. But with the decline of older ideas of fate, and the rise of statistical thinking, a new consciousness of risk developed. As Ulrich Beck has argued, this may have been abetted by the possibility that humanity could destroy itself and the world.³ In any case, demand grew for successful “management” of risk. Recently, this has extended into the development of a large industry of humanitarian assistance that seeks to manage emergencies on a global scale.⁴

In the late 20th century, finance markets became ever more central to capitalism in general and to managing risk in particular, while at the same time gaining partial autonomy from earlier state regulation. Instruments were created for trading risk and for trading on market fluctuations. Since the marketization of risk is generally a tactic most effective for those with large amounts of capital, however, policy debates have surfaced over whether the state should play a central role in managing risk for most of the population, or transfer more of its resources—and the population’s—to markets.

The reallocation of risk is a basic lens for analysis of change in the welfare state, as Jacob Hacker has shown.⁵ But the issues are not limited to state institutions for risk management. Private pension funds are under huge stress. Many have collapsed; more have curtailed benefits. Several corporations have resorted to bankruptcy as a way to renegotiate pension and health care costs. And while corporations and well-off individuals turn to the markets for financial instruments intended to manage risk, these may create new risks—as for example the algorithms governing hedge fund investments may take the liquidity of financial markets as a given not a variable.

Shifts in who bears the costs of risk have implications not only at the level of private persons vs. corporations or the state but in terms of gender, race, and region and in terms of future generations. There are also important international reallocations of risk with regard to what are often termed human security questions—from environmental to health issues—but also in relation to conflict in relation to the ways in which risk analysis shapes international investment, and in relation to currency fluctuations and global finance.

From avian flu to AIDS, pandemic diseases also pose dramatic risks. The 20th century growth of public health as a field—and a vision—was driven in considerable part by efforts to eradicate or control earlier pandemic diseases. Like the Hurricane Katrina disaster, they involve combinations of natural and human causes, and minimizing the harm they do is largely a matter of social organization. If there were a vaccine tomorrow the obstacles to distributing it would be political, economic, and institutional—like the

³ Ulrich Beck, *The Risk Society* (London: Sage, 1992).

⁴ Calhoun, op cit.

⁵ See Jacob Hacker, *Divided Welfare State: The Battle over Public and Private Social Benefits in the United States* (Cambridge: Cambridge University Press 2002) and *The Great Risk Shift* (Oxford: Oxford University Press, forthcoming).

obstacles to acting effectively on the knowledge that New Orleans was vulnerable to hurricanes. The absence of effective public health care systems is a central factor in the pandemic in Africa. And the weakening of public health care systems in Russia and elsewhere is among the reasons the pandemic is spreading to a new wave of countries. In some settings such as China, corporate provision of health care is creating a two-tier system challenging government legitimacy and taking on new significance with the high cost of AIDS treatment. Availability of treatment raises basic questions about the relationship of public and private actions. Control of antiretroviral drugs as the “private” intellectual property of pharmaceutical companies is hotly contested—and equally hotly enforced by some powerful governments including the US.

And of course, “nature” continues to produce disasters, even if abetted by human causes like global warming and human failures like suspended investments in levee repair. There was much less loss of life when Hurricane Katrina struck the US Gulf Coast than when the tsunami hit Asia nine months earlier or an earthquake hit Pakistan one month later. In each case, poverty and inequality shaped vulnerability—and this was true at the international level as well as within nations. In each case, effective response was a matter of the combined capacity of government and civil society, but where the former was lacking the latter was only a partial solution. And in each case women were not only disproportionately vulnerable (to both the disaster and to exploitation in its wake), they also shouldered a disproportionate burden of caring for other victims.

In the aftermath of Hurricane Katrina there was ample evidence of Americans’ vaunted willingness to engage in acts of private charity. Individuals made sacrifices and religious and other organizations raised resources and often used them effectively. Americans responded with care to the needs of those who seemed wounded by events beyond their control. But Americans have yet to respond with similar care to the wounds suffered by the social institutions that could be providing care equitably and effectively—let alone with an interest in changing the structural inequalities that distribute risks.

Behind the specific questions of the privatization of risk, of course, are broader questions about the future of the public sphere—in many different senses of the term. What public goods will be provided by governments through taxation, what public goods will be provided by private philanthropy or organizations in civil society, what will be provided by market actors, and what will not be provided? These are not only basic questions for social science. They are questions for a broader public discussion, and they bear on the very project of a public culture.