

Systemic Financial Risk

WILLIAM LEISS

An analysis of the current financial crisis from a risk management perspective.

In the past year, the world has experienced how unsound economic practices can disrupt global economic and social order. Today's volatile global financial situation highlights the importance of managing risk and the consequences of poor decision-making. It reveals an underlying paradox of risk management: the better we become at assessing risks, the more we feel comfortable taking them.

Using the current financial crisis as a case study, renowned risk expert William Leiss engages with the new concept of "systemic risk" — risk so great that recovery from its negative consequences may prove impossible. His risk-centred analysis of the lead-up to the crisis reveals the practices that brought it about and how it became common practice to use limited risk assessments as a justification to gamble huge sums of money on unsound economic policies.

In order to limit future catastrophes, Leiss recommends international cooperation to manage systemic risks. He believes that, failing this, humanity could be susceptible to a dangerous nexus of global disasters that would threaten human civilization as we know it.

WILLIAM LEISS has been a professor at seven Canadian universities: Simon Fraser, Calgary, Regina, York, Toronto, Queen's, and Ottawa. He is the author or co-author of eight previous books, including *Mad Cows and Mother's Milk* (McGill-Queen's, 2004) and *In the Chamber of Risks* (McGill-Queen's, 2001). For the past twenty years he has been a frequent consultant to government agencies and the private sector on risk management issues.



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