

## Looking for Trouble

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I define risk as the chance of harm, and risk management as the attempt to anticipate and prevent or mitigate harms that may be avoidable. Risk estimation and assessment is the technical tool that can be used to predict both how likely a specific type of harm is to affect us, and how much harm might be done if it comes to pass. This predictive capacity allows us to take precautionary measures, in advance of the harm being inflicted, to lower the anticipated amount of damage, by spending some money in advance – provided we are wise enough. Risk management can, if used correctly, help us either to avoid some harms entirely or otherwise to minimize the damage they may do to us.

*Natural Hazards:* Taking precautionary measures to lessen anticipated damage is sometimes a huge advantage. Long before Katrina hit New Orleans, it was known that the existing levees could not withstand a category 4-5 hurricane; in the mid-1990s, a decision was taken that governments could not afford the estimated \$10-15 billion needed to upgrade the levees. The monetary damage from Katrina exceeds \$100 billion and rising; the human toll has been simply appalling, as it is now with Sandy. After Sandy there is an active discussion – see *The New York Times* article on Nov. 7, “Weighing sea barriers to protect New York” – go to <http://tinyurl.com/ba35493> – about whether to spend a good chunk of money soon, and on what type of preventative measures, which might substantially lessen the costs of a future event of the same or worse type for the low-lying areas in New York City and New Jersey. A careful risk assessment can both predict the probabilities (with ranges of uncertainty) for a future event and its estimated damages. Let’s see whether the relevant parties have a rational discussion about this issue, or whether it just gets lost amidst ideological fevers about the size of government and abolishing FEMA.

*Social and Political Hazards (USA):* Before election day 2012 there was a substantial risk that a win for the Romney-Ryan ticket could mean a long term shift to the far right in American politics: a super-conservative lock on the Supreme Court for the next generation, a “permanent Republican majority” achieved through billionaire vote-buying and blatant voter-suppression among the poor, and major social policy shifts, including the cancellation of Obamacare and wholesale repeal of regulatory controls in financial, environmental, and other areas. (Basically, for those who know their American history, this agenda promised a return to the conditions that existed in the 1890s.) We now know a lot more about the strategic analysis that went on in the Obama camp, and the counter-measures that were devised to seek to lessen the chance that the Republican agenda would succeed, thanks to a brilliant piece published on Nov. 7 by Michael Scherer (<http://tinyurl.com/afspvq6>), entitled “Inside the secret world of quants and data crunchers who helped Obama win.” (Given how much damage was done in the ongoing financial crisis by quants running wild, this is welcome news.) Scherer’s story details the highly-sophisticated database construction and statistical analysis that enabled the Obama team to do precise targeting of key voting blocks, offsetting the Republican monetary advantage in the cruder techniques of blanketing the airwaves with negative messaging. It is very clear from the post-electoral recriminations among the key Romney backers that they were taken by surprise by the effectiveness of these counter-measures, which by the way were based on

legitimate democratic objectives in getting out the voters, rather than trying to suppress voter turnout. Good; maybe they'll learn something useful, although I doubt it.

*Social and Political Hazards (Europe)*: Germany and other powerful northern European states have so far failed to come up with a sensible political strategy for dealing with the never-ending sovereign debt and deficit crisis there. Virtually all knowledgeable commentators agree that the current “austerity regime” will turn out to be self-defeating on a massive scale. (See, for example, the editorial in the Nov. 8 *New York Times*, “Greece drinks the hemlock”: <http://tinyurl.com/czmnhd4>.) True, there were serious financial scandals in the now-weakened nations, including profligacy and deception in Greece and horrendous housing bubbles in Spain and Ireland. But the medicine is now exacerbating the disease, causing a potentially deadly downward economic spiral with no end in sight. Unemployment rates, especially among the young, are skyrocketing, and impoverishment is spreading. The urge to punish the formerly-profligate, among citizens in Germany and elsewhere, is understandable but atavistic, and ignores the fact that their own financial institutions were deeply complicit in the earlier wrongdoing. There is a very serious long-term risk in this situation, already evident in Greece, where rapid economic decline fosters xenophobic political and social violence (all-too-evident on this continent in the 1920s). If this prospect is not clearly recognized soon, and if the self-defeating austerity measures are not corrected, there is big trouble ahead.

So, despite what the old adage tells us, looking for trouble is a very good idea, once we are armed with the concept of risk. Phrased more precisely, this prescription advises us to try to anticipate trouble in a disciplined and evidence-driven way, seeking to head off at least the worst consequences of highly-likely harms. The alternative – waiting for the body count to be tallied once the hazard has struck – is unfair to the victims of chance.

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