The Im-possible – A Different Way of Thinking Risk

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The global financial crisis of 2008 brought the risk involved in the international banking business to everybody's attention. It made clear that risk, despite the claims of banks, cannot be hedged away. The risk inherent in the banking business has been realised. It was realised to a larger extent and in different dimensions than assumed by risk management, quantitatively and qualitatively, and it had more severe effects than imagined before. This paper takes this event as an opportunity to reconsider the term 'risk' itself from an unusual perspective. Aspects from the philosophy of Jacques Derrida, his considerations of the event, the im-possible or the horizon are used to interrogate the term 'risk' and to propose a 'risk to come'.

Background

Risk and the management of risk (re)entered public attention during the global financial crisis of 2008. Before that, in times of continuously rising yields, the old wisdom – the higher the yield, the higher the risk – which had informed decisions in the financial markets for centuries seemed to have miraculously lost validity. The ambition to create risk-free profit by calculation[1] seduced market participants on both sides, traders and salespersons in the financial institutions as well as private investors, including those in the retail market. Some kind of generalised greed[2] seemed to have filled the system. Not just amongst traders and salespersons in the banks and in the funds, there was a hunt for ever

1 Donald MacKenzie (2003) 'Long-Term Capital Management and the sociology of arbitrage', *Economy and Society*, 32, No. 3, pp.349–80

2 Claudia Honegger, Sighard Neckel and Chantal Magnin (2010) *Strukturierte Verantwortungslosigkeit, Berichte aus der Bankenwelt*, Berlin: Suhrkamp

more profitable investments by private customers investing into the products of banks and funds. The immense liquidity in the international financial markets was looking for ever better returns. Warning voices were silenced, either by ignoring them as single opinions without relevance for the insiders[3], or they were fired, as several interviewees of banks after the meltdown told researchers[4]. Even the Chief Risk Officer (CRO) didn't have a chance to insist on a critical estimation of the risks involved; as Otto Steinmetz, the former CRO of a large German bank stated in an interview, perhaps they'd (the CROs, PP) trusted in their internal models too much?

> at least that's what BaFin[5] believes. But what would have happened to a risk manager who said two years ago that he wanted to build the bankruptcy of a major American investment bank into his models? And if he'd stated on the record that he couldn't back the risk? (*Interviewer*: *He could have left?*) *Steinmetz:* Then he's seen as a bad leaver and loses his variable pay, share options, even his pension entitlement. And who'd give him another job?[6]

What nowadays is included in stress tests developed by regulating authorities was seen before the Lehman bankruptcy as so absurd that a calculation of the consequences in the risk models would have rendered even a CRO an outcast. There is no doubt about the fact that investment banking and risk management have to clash, Steinmetz confirmed. In times where investment banking was responsible for the majority of profits in a bank, any doubt was seen as a cog in the profit-generating machine.

Risk management which tries to control risk by influencing investment decisions, i.e. preventing investments of or into incalculable risk, is seen as an obstacle for the generation of profits. As indicated by Steinmetz and proven during the stress tests, such cases can well be calculated. The increasing capacity of IT provides the basis for ever more sophisticated mathematical models shaping the risk profile of the complete exposure. Risk management in the banking industry takes the form of the calculation of an enormous amount of data which can already be interpreted as an excess of data[7]. One key figure of risk management is called value at risk (VaR). Denominated in units of a currency, it is a measure to name the potential loss of a portfolio with a given level of confidence. It indicates that, under normal market conditions, there will be *not more than* a loss of x € with a probability of y% during the next n days. If such a figure could be given reliably, this would greatly enhance

3 For example, the author of *The Black Swan*, Nassim N. Taleb (*The Black Swan: The Impact of the Highly Improbable*, New York: Random House, 2007)

4 Honegger et al., 2010, pp.70, 108 and 124

5 BaFin: Bundesanstalt für Finanzdienstleistungsaufsicht, the German regulatory body for banking, security trading and insurance

6 Translation of the German original by Pfeil – Marcus Pfeil, (2010) 'Too much time has gone by, interview with Otto Steinmetz', *Sonnemann Business Magazine*, Frankfurt School of Finance and Management, No. 5, pp.22–7

7 Peter Pelzer (2007) 'The futility of excess, or: the displaced world of rules and regulations', *Culture and Organization*, 13, No. 2, pp.157–69

the stability of the financial system. However, one has clearly to bear in mind that despite its almost ubiquitous use in risk reporting, risk limits and also regulatory capital or performance measurement, VaR is not a proven mathematical rule but a *probabilistic statement*. It is a statistical measure of risk exposure. The risk can be higher, it can be lower, and the figure changes with confidence levels. It is just an estimation about the future. The realised losses can also be higher or lower. But, as Cooper already reminded us:

> probability is the expression of an assumed pre-existing order which rests on the idea of the expected and the certain, i.e. the recurrence of what is already known… [P] robability is a form of prediction or prior awareness which defends the system against the strange and the unknown; the system is therefore incapable of dealing with information that is non-probabilistic and unpremeditated.[8]

Although VaR is just given as an example, perfectly keeping in mind that its status as the central figure of risk management is contested[9], it serves as a crucial example for the general orientation of risk management relying on mathematics and statistics. That risk taking – financial risk taking, that is – can be evaluated and the probability of a loss predicted is the core assumption in mathematically driven risk management. This is not a statement which concrete business will fail, but a statement of the probability of losses for all the risks taken. In this way, this is an attempt to make an otherwise unpredictable future present. It is in the nature of risk that the uncertainty expressed by it can turn into losses. If and which loss is realised will only be known in the future. Risk then can be interpreted as a form of considering possible futures, evaluating them and acting accordingly. Risk, as it is seen here, is not just an expression of uncertainty, of what may go wrong, but the so-called rational expression of dealing with an unknown future made known in the present as artificial, produced reality. Seen like this, as a tool for risk management, risk is order. Risk orders the future by making it present.[10]

Risk ordering future presupposes two different concepts of future. The attempt to order a threatening future by calculating a trajectory of past events into the future tries to make future present. However, it has to be clearly kept in mind that risk in this case is a present future and as such may be radically different from the future presence. Elena Esposito works with the terms 'present future' and 'future present' to indicate the fundamental difference between them despite their similarity in expression. The present future is the understanding of the observer from today's perspective, using all the information at hand to deduce an expectation about the future. But it is the view from now into an unknown and unknowable

8 Robert Cooper (1979) 'Information, communication and organization: a post-structural revision', *Journal of Mind and Behaviour*, 8, No. 3, pp.395–416

9 Benoit B. Mandelbrot and R.L. Hudson (2004) *The (mis)Behaviour of Markets – A Fractal View of Risk, Ruin and Reward*, New York: Basic Books

10 Peter Pelzer (2010) 'Risiko als gegenwärtige Zukünfte – Reflexionen zu Risiko und Angst aus Anlass der gegenwärtigen Finanzkrise', *Freie Assoziation*, 13, No. 3, pp.27–42

future. What will be the case in the future, once the future has become present, remains unknowable. The future presence may turn out to be as predicted, as expected, but it may also be a bit, or completely, different. Trying to order the future by calculation, however, has a blind spot: "pretending that the probability of risk can be transformed into certainty by stochastic calculation is equivalent to a 'defuturisation of future.'"[11]

For the discussion of a sociology of risk, Luhmann[12] provided the important link between risk and decision. Risk, according to Luhmann's basic assumption, is always based on a decision. This is in contrast to the work of Frank Knight who introduced one of the most influential differences in risk calculation. Knight insisted on separating risk and uncertainty. Although 'risk' in everyday use is about uncertainties, there is a fundamental difference resulting from the possibility of measuring uncertainty. Knight names measurable uncertainty 'risk', because in becoming measurable it is not uncertain at all. Uncertainty is restricted to cases of the non-quantifiable type.[13] Luhmann considers Knight's definition as ossified into a dogma so that any further development of the term 'risk' is confronted with the reproach of not having understood the term sufficiently.[14] He claims that despite such a widely accepted concept there is no definition of risk which would satisfy scientific demands. The present article is an attempt to broaden the discussion about the term 'risk' itself. The discussion must go beyond a difference put along the lines of measurability.

Defuturisation of future – or driving by looking into the rear mirror, as a former investment banker concluded in a discussion with me – is a profound shortcoming of thinking in measurability. Risk management as calculation and transformation into figures is not able to deal with evolving risks, with risks which have not been there in the past.

George Shackle, based on the Keynesian concept of uncertainty, made clear that the consideration of the future is not as simple as rational theory implies. It is impossible to know the consequences of one's own actions before they are performed[15]. Information about the future is necessarily incomplete as it cannot predict the exact results of one's own actions. Shackle redefines the crucial difference between possibility and probability. Probabilities still show the signs of gambling where introduced. They aim at present futures while possibilities aim at the future present. Possibilities describe the situation of an actor who needs to decide in the context of an uncertain future. Shackle's use of the terms "time-

11 Elena Esposito (2007) *Die Fiktion der wahrscheinlichen Realität*, Frankfurt: edition Suhrkamp, p.84, emphasis in original, translation by the author

12 Niklas Luhmann (1991) *Soziologie des Risikos*, Berlin and New York: de Gruyter

13 Frank H. Knight, *Risk, Uncertainty and Profit*, London: London School of Economics, Series of reprints of scarce tracts in economic and political science, 16, 5th impression, Boston: Houghton Mifflin, 1921/1940

14 Luhmann, 1991, p.9

15 George L.S. Shackle (1967) *The years of high theory. Invention and tradition in economic thought*, Cambridge: Cambridge University Press

to-come" and "choices-to-come" as something not predetermined nor predeterminable[16] are expressions of a potential surprise. Potential surprise at what is to come is a nice preparation for discussing the paradoxes involved in risk and risk management. Arguments developed by Jacques Derrida shall be used to elaborate on that side of risk which cannot be considered by calculation. The discussion evolves around his uses of terms like the *'event'*, the '*horizon*', the '*im-possible*', on that what is *'to come'*.

Preliminary Thoughts for a Derridean Approach to Thinking Risk

Derrida's understanding of the event is a somehow disturbing description, upsetting the everyday understanding of the event. It is narrower, more concrete, but also more paradoxical. When we speak of an event we are looking for, we think of the concert, the football game of the local team against the leading team in the league next weekend, or the event as an incident, or the realisation of a risk. These are all examples of a planned or foreseeable nature, something where the possible outcomes can be clearly seen in advance. The concert and the football match are announced and planned exactly, it is clear where they will take place and their start time is fixed; the incident and the realisation of the risk are not planned and the point of time of occurrence, when it will occur or if it will occur at all, is not fixed, but both are within the framework of the possible and the expectable. When everything takes its course, experience informs about what can go wrong. Even if the incident is not expected, it can be anticipated.

Besides the expectable, the repeatable, the determinable, there are events of other form, something clearly going beyond the predictable. The event in this sense is the radically not foreseeable. We know that the event will have taken place – because we have the grammatical form of future perfect which allows us to imagine the world differently, as if something radically new will have turned up – but not what that possibly could be, when it will take place and which consequences it might have. If we could answer just one of these questions, the event would not be entirely in the future, it would become imaginable, already part of the present. An event, however, is un-predictable. As Derrida[17] frames it, it interrupts the normal way things go and is of absolute singularity. It didn't exist before and even talking about it is too late. Talking must necessarily come after the event, because the event

16 George L.S. Shackle (1988) *Business, Time and Thought*, selected papers, Stephen F. Frown (ed.), Houndmills: MacMillan
(The similarities with the im-possible, with that which is behind the horizon of what can be perceived in the present time, are obvious. Shackle repudiates the possibility of a calculable history. Despite these similarities, however, one cannot oversee a major difference to Derrida. Shackle looks for an uncaused cause, what he would call a beginning. The author of the trace, of the différance, the haunting, Derrida, takes the characteristics of what is to come further and much sharper and especially argues against any form of origin.)

17 Already the title of this German translation of a presentation gives an impression of what is at stake here: "A certain impossible possibility to speak of the event" (Jacques Derrida, *Eine gewisse unmögliche Möglichkeit, vom Ereignis zu sprechen*, Berlin: Merve, 2003).

was im-possible before. "The experience of the impossible is the condition for the eventness of the event", writes Derrida[18]; "what occurs as an event, can only occur, where it is impossible". By splitting the term impossible, '*im-possible*', it becomes clear that *possible* is always present, even when it is masked by the '*im*'. Whenever the mask of the impossible is taken away, the not expected, not expectable, all of a sudden appears. It appears as absolute surprise and immediately interrupts the context of the existing.

> If it exists, the singular eventness of *what* happens and happens to me, or the one who unexpectedly comes and comes across me (what I call l'arrivant in French), *if* there is something like that, then it presupposes a break-in or an eruption which *interrupts* each performative regulation, each agreement and every context ruled by conventions. What means nothing else than that the event only occurs where it isn't tamed by an 'as if', at least not by an already readable, decipherable and '*as such*' articulatable 'as if'.[19]

From its first occurrence, the event loses its singularity. It is included by description and at the same time becomes substituted and re-usable. It has become possible. In other words: changes which point towards the future, beyond the existing, can only occur by events; or, they threaten the existing from an unexpected position. An event points beyond risk as the calculation of the already known. Therefore it makes so much sense to develop an understanding for this kind of framing of the event, even if this consideration goes against the grain of conventional thinking. It is about the attempt to (re-)open the perhaps closed thinking about risk in such a way that it becomes possible to think of the presently unpredictable as the paradox which it is: the possible impossible – the im-possible. Right here and now the event is impossible, it doesn't exist, there is no imagination and therefore it is impossible. Only when it occurs does it become possible; future presents itself, a future event, impossible so far, is moved into the present and the presence.

Considering the future and the event as the source and the expression of the im-possible draws the attention to the boundary between now and then, between present and future beyond a temporal perspective. It is also the horizon of what is possible to think here and now. The horizon is a central expression here. It is at least of a double significance. On the one hand, the horizon denotes the context within we think. It is the mixture between the knowledge and experience acquired in the past, the consequences taken and the expectations of what will happen in the near future based on this knowledge. The horizon marks the boundary between what is known and can be controlled, and the unknown. 'Control' and 'controlling' are very good keywords here. Controlling as the craft of getting information about the state an organisation is in to get a basis for planning and adjusting former plans mostly by collection and interpretation of numbers is the preparation for a projection into the future. Controlling, planning, projecting are all actions to make future present.

18 Ibid., p.33, translation by the author

19 Jacques Derrida (2001) *Die unbedingte Universität*, Frankfurt: Suhrkamp, p.72ff.

They draw scenarios in order to transform the unknown future into controllable items to make plans with, to project the known present into the future. They form a teleological horizon within which no future exists. The horizon is, as the Greek word indicates, "a limit from which I pre-comprehend the future. I wait for it. I predetermine it. And thus, I annul it".[20] In the attempt to control the future, I annul it. Although we have to add: for us. The one who makes plans, projects her estimations of the present into the future, draws a horizon up to which she can see. And with this gain of control she draws a boundary which becomes impenetrable for her – though not for the event, as we have to insist here, following the traces of Derrida. Therefore Derrida tries to free the value of the future from the value of "horizon" (ibid.). The future is that which has yet to come. The whole load of what is to come lies on the other side of the horizon. But as the horizon is not a clear boundary between the 'real' future and a projected future, because it is a boundary created in the course of a teleological action, it cannot be said that behind the horizon future begins. There is no line on the time arrow which would denote the beginning of the future and separate it from the time in front of us on which some kind of control can be assumed. The projection is completely artificial, invents a scenario which would fit to the existing and declares this as intended future. Future is effectively (or, in organisations, perhaps even efficiently) locked out.

The future is that which has yet to come, it was said above. What is 'to come'? Democracy[21], justice[22], the university[23], the invention[24], friendship[25] are among Derrida's examples and it is very clear that there is a difference between an event taking place in the future and the examples which are 'to come'. The event which will occur, or not occur, is im-possible, as we have already noted. It is unexpected, singular and unconditional. Once it occurs, it has become possible, can be repeated and thus immediately belongs to the context and changes it at the same time. In this changed context decisions can be and will be taken to structure the future to be again surprised by an event. The examples Derrida gives to explain what is to come have an even more complex construction. We know all of the concepts he uses for a long time. At least we think we know them, we ascribe meaning to them. We have a clear image of what they may mean. We have an image of how the ideal could be or how it was conceived during the history of its use. We can analyse what is realised and how big the difference is. Deconstruction as a method helps to find out about the developments of the concepts throughout history, to understand how they were introduced and immediately changed and distorted in their first and subsequent usages, e.g. out of a

20 Jacques Derrida and Maurizio Ferraris (2001) *A Taste for the Secret*, trans. Giacomo Donis, eds Giacomo Donis and David Webb, Malden, MA: Blackwell, p.20

21 Jacques Derrida (2002) *Politik der Freundschaft*, Frankfurt: Suhrkamp; Jacques Derrida (2006) *Schurken, zwei Essays über die Vernunft*, Frankfurt: Suhrkamp

22 Jacques Derrida (1992) 'Force of Law: The "Mystical Foundation of Authority"', in D. Cornell, M. Rosenfeld and D. Gray Carlson (eds) *Deconstruction and the Possibility of Justice*, New York and London: Routledge, pp.3–67

23 Jacques Derrida (2001) *Die unbedingte Universität*, Frankfurt: Suhrkamp

24 Jacques Derrida (2003) *Eine gewisse unmögliche Möglichkeit, vom Ereignis zu sprechen*, Berlin: Merve

25 Jacques Derrida (2002) *Politik der Freundschaft*, Frankfurt: Suhrkamp

very one-sided understanding of friendship[26], so we can become conscious of the difference still there. And that the difference will never be overcome. But this description implicates that there is something like an ideal, a regulative idea, perhaps even a utopia. Derrida not only denies the necessity of any teleological or ontotheological concept, which he considers as even distorting; he insists on instead withstanding the aporias he unveils. One of his difficult thoughts here is his construction of the future to come. What is to come is not something fixed, a whole which is just not yet achieved, but an Other which will never be achieved completely as both sides are changing in the process of realising that which is coming. What is realised changes what is there and offers new opportunities. The difference to what is still to come remains, not as an additive whole in which one side gains what the other loses, but with a redefinition of what can be understood in the process of coming. Future points not just to the coming of the other, it is directed at the invention *by* the event (and not *of* the event)[27]. The coming, anything to come (à venir), doesn't only have no requirement for regulative ideas. Democracy to come doesn't necessarily mean a future of a democracy, which will come or should come. Nothing concrete is announced. Democracy to come does not mean 'the democracy will come'. To remain coming, failing to appear, unfulfilled, pending and withdrawn from any dependency on an ontology – what can be the status of democracy? The modal status of the 'to' in 'democracy to come' lies in the oscillation between two possibilities without ever being able to decide: imperious order (a performative demand) and the patient *perhaps*[28] (a non performative ascertainment of what is coming, but also may not come or even already may have occurred)[29]. The first would be the analysing part, considering contents, constatively. If you use the term you have to know what is inscripted into it, how it was used and what the dimensions of its meaning are. As a performative statement that, despite its absence, remaining to come, it is necessary to believe in. Both attitudes may alternate, may address you one after the other or haunt you both at the same time, leave each other and become an alibi of the other. Oscillating between the possibilities without ever coming to a rest on one side means with another word: undecidability. Derrida believes that this undecidability, which is part of democracy as well as of freedom itself, is the only radical possibility of decision. It opens a completely ambivalent and unsettling experience of freedom, threatening and threatened[30].

The potential of what is described here as 'to come' is large and promising. It denies a fixed, objective, constant future for concepts like democracy. It is the philosophical foundation of a thinking which assumes that the possibilities in both dimensions, what to achieve and what to lose, change on the way into the future. There is no such thing as a zero sum game here. Any step taken into the direction of democracy does not mean that another

26 Ibid.

27 Jacques Derrida (2006) *Schurken, zwei Essays über die Vernunft*, Frankfurt: Suhrkamp, p.125

28 I consciously left out the term "messianic" (Derrida, 2006, p.130) here, as it would be even more confusing to explain what messianic is in absence of any ontology and theology.

29 Ibid., p.130

30 Ibid., p.130

tiny part of what an ideal democracy is will be realised and that the rest will be achieved piece by piece in the future. It is a moving target and will always be so. With any step taken, the understanding of what can be achieved, even the definition of what it is that can be achieved, changes. The understanding of what democracy means opens the field for more expectations, or at least for more possibilities, which then can be aimed at, achieved, or not, and on that way, in discussing and fighting for realisation any image of what an ideal may mean, of what can be achieved, is constantly developed.

Derrida didn't work with the term 'risk' as explicitly and intensively as he did with the others discussed here so far. He mentioned risk in interviews[31], which give an impression of the depth of the term if it is thought as *absolute risk*. He also mentions it at a central point of his thinking about the relation to the absolute other. *The Gift of Death* provides a few remarks which hint into the direction which he might have taken if he had developed this term further: "a venture into absolute risk, beyond knowledge and certainty"[32]. The absolute is the norm if we consider the consequences of aiming at the im-possible, of moving beyond the horizon, of triggering the event. All these terms aim at the space beyond knowledge and certainty, a very uncomfortable place, where no experience helps and uncertainty on the way is the decisive feeling. It needs to take absolute risk to decide, to go through the ordeal of undecidability, to face the other.

Derrida's arguments are used here to describe a dimension of risk which is necessarily ignored by a risk management which relies on data from the past to calculate the probabilities of the realisation of known risks in the future. The risk described here is on the one hand the risk of taking decisions beyond what is known, decisions which are more than a choice between alternatives. This would be "a venture into absolute risk, beyond knowledge and certainty"[33]. However, such a form of decision happens quite rarely. Nevertheless it is a form which is not covered by routine risk management. But these kinds of decisions, so one could speculate, are an interruption of the everyday decision making of managers and therefore get the recognition beyond routine which might cover the risk involved. The risk to come is not covered by this. Derrida turns our attention to a dynamic involved in any social interaction. The risk to come is the necessary contrast to risk as understood in risk management. It is exactly the difference between the calculable, the processing of programs, the following of the trajectory of the well known which needs to be contrasted. The perhaps strange move taken here is the turning of the phrase 'to come' from something to be longed for, something of which to achieve the full potential, is entirely desirable, to something where the fruit of achieving the full potential is at least a doubtful pleasure. It depends on how risk is defined. Is it just the negative impact of a decision, or is the volatility included?

31 This interview had a strange fate. Originally it was done by Thomas Assheuer (Thomas Assheuer and Jacques Derrida, 'Ich misstraue der Utopie, ich will das Un-Mögliche', *Die Zeit*, No. 11, 1998). The text went back and forth as Derrida was unhappy with the formulations. The text finally printed was shorter than the whole interview. Peter Krapp translated the complete text into English and made it available in *Culture Machine*.

32 Jacques Derrida (1995) *The Gift of Death*, Chicago: University of Chicago Press, p.5

33 Ibid.

That is, can an outcome be better or worse than expected? But even this remains inside a framework of the expected. Any evaluation of risk which considers what can be expected and what has to be avoided deals with the calculable, with what is already known to be a potential consequence of deciding and acting. Any management of these kinds of risk will inevitably fail to grasp the event. It doesn't aim at the im-possible. It only takes the possible into consideration – into calculation. The term 'risk' helps to draw an image of the future. It makes future present and with that known. Such a future can be calculated, it is possible to count on it. However, we can only take into calculus what is known today, or what has left traces in the past, something which has already occurred and can therefore be followed on the time arrow into the future. "Probability", as Cooper mentioned, "is a form of prediction or prior awareness which defends the system against the strange and the unknown."[34] What remains to come haunts the present from the future.

Trading Away Future

In her ethnography of Wall Street, *Liquidated*[35], Karen Ho describes basic attitudes and mechanisms of investment banks and their employees which she also considers as key elements that led to the global financial crisis of 2008. The results of her study, however, explain this crisis as just one crisis; or rather, as less a crisis for investment banking itself and more a result of normal ups and downs of the markets. Wall Street takes pride in being one with the market and therefore following the chances of the market for as long as possible. Being one with the market means getting out immediately when it turns out that there are no chances any more. This includes the firing and rehiring of large quantities of their staff without prior announcement. Speed matters: getting out of projects immediately is mirrored by getting into other projects as quickly as possible. Being one with the market means mistrust against planning, almost an open refusal to do so, as one of her informants expressed: "How do you plan when you never know what the market is going to do?"[36] The dynamic of Wall Street is to make money immediately, to make use of the chance presenting itself right now. Efficiency in the sense of developing products over time, improving them, is sacrificed for immediate rewards and the next new thing. Ho's expression for this proceeding is "strategy of no strategy".[37] She does not criticise these banks for being without strategy; they just don't consider a long-term orientation to the future as part of the development of banks. She claims that this is a constitutional factor of this kind of banking. The actions and the behaviour of investment bankers exclude long-term thinking.

34 Robert Cooper (1979) 'Information, communication and organization: a post-structural revision', *Journal of Mind and Behaviour*, 8, No. 3, pp.395–416

35 Karen Ho (2009) *Liquidated, An Ethnography of Wall Street*, Durham, NC: Duke University Press

36 Ibid., p.276

37 Ibid., p.274

Investment banks are "institutionally unable to peer into the future".[38] Investment banks defuturise future, they trade off the future present for the present future, which is nicely incorporated in a form of derivative called 'futures'. Futures are used to transfer a risk in the future to another party willing to accept it out of a different evaluation of the future development, so that for the party trying to get rid of the risk the present future is less risky. The potential chances of the future present being better than those estimated in the present future is given away in favour of an advantage here and now. This makes good sense for the management of an industrial company that, for example, wants to transfer the risk in the international currency markets. The risks in this market are not part of their business and limiting these risks is a rational move. The construction of the financial product 'future', however, is a crucial play with the different levels of future. It tries to transform the volatility of outcomes of present actions in the future into a product tradable in the present. By trading it now, the risk has acquired a form manageable within the horizon of the known. It could be taken as a warning that this special product, future, can have a plural form: of course there are futures. This is exactly the point where Derrida's arguments become crucial. There is no such thing as the one, determined future. Only one concrete future will realise, but up to the realisation many are possible. The argument, however, goes much further. This is not just a quantitative argument. It doesn't mean that there are more futures to be calculated. This would require that all these possible futures are known today; and that only which one will be the future present is undetermined. But this completely fails to take the event, that what is to come, into account. If that is possible at all, to take what is to come into account. It is exactly the characteristic of the event that it is im-possible before it has taken place. There is a part in risk which defies calculation, which lies behind the teleological horizon, which is a result of the absence of fate, a result of the fact that any decision taken will inevitably trigger reactions which will alter the conditions of the decision and will help to realise an event, an im-possible event.

This argument, in combination with Ho's characteristic of Wall Street bank's strategy of no strategy, the complete and only reaction to the here and now, precludes risk. Defuturised, the presence runs into the disaster without a means of stopping at the edge of the abyss. Trying to think the im-possible as a necessary part of reality, as Steinmetz tried to describe it as a part of a CRO's task, becomes impossible. It is excluded from the radar of risk management, but paradoxically included by exactly this exclusion: the im-possible is that risk which is not just made possible by excluding the risk to come, it is even made probable by this move, and so is the consequence of thinking in Derridean terms here. No-one is present who is ready to see the risk to come arriving, or, to be more precise, no-one who has the authority inside the bank to warn or take action if an event takes place, no-one left to care about the future present. This is not to say that risk management, however it may be organised and authorised, would be able to identify the realisation of a risk to come, the im-possible event, but the acceptance that the future present will be different from the

38 Ibid., p.279

calculation of the present future. This is the first and necessary step to reduce the effects of the risk to come to those risks which are really behind the teleological horizon and to make a difference to those risks which are only behind the horizon of ignorance: these risks could be identified if the denial to peer into the future would not have been institutionalised by Wall Street.

Risk to come means that the character of the risk changes along the way to the future. A realisation does not mean that it can be described sufficiently to deal with it in the next term. The dealing with risk, its calculation and the trading of risk, of hedging against it, will inevitably alter the risk and provide it with the capacity to be realised in a different form. The risks we know may change, the volatility, the probability of their realisation may change, or an event may take place demonstrating the incompleteness of the knowledge. Risk is a much more complex topic than risk management by calculation is able to cover.

Peter Pelzer

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