On the Brink—From Mutual Deterrence to Uncontrollable War

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For a while there, it seemed like there was no end to the fun.

In the mid nineties, the rate of US productivity growth suddenly took off in the statistics after a long twenty-five year slump, seeming to confirm that the ‘information revolution’ was indeed beginning to bear fruit. This sudden burst of exuberance was hailed as the sign of an emerging post-industrial revolution, in which the weightless value of intangible assets would replace the tangible commodities of industrial manufacture. The information revolution, it was argued, was dependent on the deregulation of financial markets and the unprecedented alliance between speculative capital and production, allowing whole industries to be financed on the mere hope of future profits. As venture capital flooded into the high-tech sectors of digital and biotechnologies, it seemed that speculation itself had become the driving force behind unprecedented levels of innovation. What was at stake here, even according to the most sceptical of observers, was more than an irrational bubble or the delirious financialization of the economy. The rise of venture capitalism institutionalized a model of economic growth in which production itself was made to hinge on a dangerously uncertain future. The adventure of venture capitalism lies in the expectation that high risks will be rewarded with supra-normal profits, that short-term returns will more than make up for the loss of long-term secure investment. As long as the euphoria keeps coming.¹

At the end of 1999, however, a massive mobilization of anti-capitalist protestors in Seattle brought the WTO meeting to a stand still. In March 2000, the millennial exuberance of the late nineties came crashing to the ground when the dot com stocks finally collapsed. It was in this atmosphere of impending political and economic crisis, announcing the decline of the neo-liberal triumphalism of the Clinton era, that George W. Bush came to power. And in retrospect, it seems clear that the war on terror was as much a political response to the downturn of the new economy as to the terrorist attacks of September 11. Bush’s answer to the technophilic optimism of the Clinton era was an equally megalomaniac plan for indefinite war, encompassing the whole globe within
his strategic vision. As the economist Christian Marazzi has put it, “the war... against terrorism represents the continuation of the New Economy by other means.”

The difference between Clintonian neo-liberalism and Bush’s neo-conservatism is not structural then: both economies mobilize speculative affect, attuning it to the advent of the unpredictable, alerting it to the imminence of unknown risk. What has changed is the affective valence of ‘our’ relation to the future—from euphoria to panic to fear, or rather alertness (a state of fear without foreseeable end). Where the celebrants of the new economic growth reassured investors that there was no end to innovation, holding hope aloft with a constant barrage of short-lived promises, the neo-conservatives want to convince us that there is no end to danger, that the war against terror can only be indefinite in time and scale. Shifting its bets in response to the rising wave of fear, venture capital has flowed out of the dot-coms and into start-up security companies, while information and biotech start-ups have refashioned themselves as defence contractors in the fight against cyber- and bio-terrorism. In the wake of September 11, permanent warfare has become the new driving force behind US economic growth, feeding off itself as it generates a seemingly inexhaustible demand for security services of all kinds.

In the meantime, the economic and strategic discourses of neo-liberalism have moved closer together in response to the changing geo-political conditions of the post Cold War era, converging around the idea that risk is unpredictable, catastrophic in its effects, and hence uninsurable; that terrorism, like the free market, is essentially uncontrollable; and that economic freedom exposes us to an uncertain future. “We’re living in insecure times, we have to make tough decisions” has become the guiding mantra of neo-liberalism.

In this paper, I trace the transition from post World War II models of economic and strategic decision-making to the neo-liberal discourse of risk. From mutual deterrence to the war on terror, from welfare state economics to free-market neo-liberalism; what is at stake, I will suggest, is a profound rethinking of the logistics of risk, prediction and (in)security. While both 20th century models of risk confront a future overshadowed by the spectre of catastrophe (the nuclear bomb as a harbinger of total war), they propose radically different solutions for dealing with its possible occurrence. At the dawn of the 21st century, the notion that economic and strategic risk can be insured against, averted or controlled is becoming less and less plausible for the theorists of neo-liberalism. In place of the actuarial model of risk management which dominated the post war Bretton Woods period, neo-liberalism promotes the virtues of speculative risk.

**Insuring Against Total War—Game Theory, Mutual Deterrence and the Cold War**

Preventive war is not a new concept in US military discourse.

In 1949, the USSR detonated its first nuclear bomb, launching the era of bi-polar
super-power conflict which would come to define the geo-politics of the long Cold War. In the years immediately following World War II, a number of prominent defence advisors as well as intellectuals such as Bertrand Russell and John von Neumann promoted the idea of preventive war as the only solution to the dilemma posed by the Russians’ newly acquired first-strike capabilities. Now that both sides possessed the atom bomb, it was argued, either could launch a surprise-attack which would leave little possibility for retaliation. As Thomas Schelling later wrote, the arms race introduced a new dilemma into defence: because the threat of total war, launched from either side, had come to represent an imminent danger, it also seemed to become a pressing necessity. The immediate post World War II era raised the spectre of a catastrophic future, whatever move we might make—a sentiment which the mathematician John von Neumann succinctly expressed in an interview with Life magazine, where he defined preventive war in terms of its zero tolerance for procrastination: “If you say why not bomb them tomorrow, I say why not today? If you say today at 5 o’clock, I say why not one o’clock?”

The doctrine of mutual deterrence, which would subsequently come to dominate US Cold War discourse, can be understood as an effort to neutralize this sense of imminent catastrophe. It is based on the premise that a nuclear power needs to develop both first and second strike capabilities, allowing it to retaliate even after a first-strike has been launched from the other side. A product of the RAND Corporation, mutual deterrence owes its logic to the theory of games, a mathematical model of economic risk and decision-making invented by the economist Oskar Morgenstern and the mathematician John von Neumann in the forties. As an application of the calculus of probability to decision-making, the theory of games has much in common with (neo) classical utilities theory, with one decisive difference: whereas the classical economic decision-players acts alone, in a world free from the troublesome manoeuvres of other decision-players, game theory looks at strategic decision-making in situations of conflict, where two or more opponents are hell-bent on maximizing their utilities (preferred future outcomes), while second-guessing the probable movements of others. In this sense, games theory does not deal with objective risk, but rather with situations in which each ‘decision-maker’ is engaged in a permanent evaluation of the other’s evaluation—the expectation of expectation, to paraphrase John Maynard Keynes. von Neumann compared this to a game of poker, where bluff plays a central role, as opposed to a solitary throwing of the dice. Moreover, games theory defines the affective tone of decision-playing as essentially paranoid: risk lies in the intentions of others, which we must assume to be absolutely inimical to our own. For Morgenstern and von Neumann, strategic decision-making is a zero-sum game (the term was originally coined in the context of game theory) in which the absolute maximization of my opponent’s utilities entails my utter annihilation, and vice versa. Total war. Hence, an inevitable stalemate: neither of us can maximize to the fullest without destroying ourselves in the process. Having thus incorporated the danger of mutual self-destruction within its calculations, game theory re-establishes an a posteriori equilibrium based on the premise of mutual self-interest. von Neumann dubbed this the minimax principle.
One of the theorists to have most thoroughly explored the consequences of game theory for the post World War II era of nuclear escalation was the strategist Thomas C. Schelling. In *The Strategy of Conflict*, Schelling argues that strategic decision-making must take into account the element of irreducible surprise involved in any military encounter. In the context of the Cold War, however, the inherent unpredictability of the enemy’s movements had come to represent a truly catastrophic risk-factor:

> [S]ome of the most momentous decisions of government are taken by a process that is not entirely predictable, not fully ‘under control’, not altogether deliberate … a nation can get even into a major war somewhat inadvertently, by a decision process that might be called ‘imperfect’ in the sense that the response to particular contingencies cannot exactly be foretold by any advance calculations, that the response to a particular contingency may depend on certain random or haphazard processes, or that there will be faulty information, faulty communication, misunderstanding, misuse of authority, panic, or human or mechanical failure.6

However, Schelling then makes reference to the minimax theorem to argue that as long as both sides continued to pursue the arms race at the same pace, through a strategy of continuous, paranoid evaluation of each other’s moves, the temptation to launch a first-strike attack would appear irrational to both of them. Having admitted the panic factor into his strategic field of vision, Schelling envisages mutual deterrence as a way of insuring against the realization of the ultimate catastrophe. He thus promotes the arms race as a means of “safeguarding against surprise attack”—in other words, of protecting the present from absolute exposure to an uncertain future.7 Drawing out the full implications of games theory, what Schelling proposes is an actuarial model of defence, one capable of insuring against the most catastrophic of risks. While the post World War II obsession with preventive war seemed to necessitate the immediate coming-into-effect of the ultimate danger, the later doctrine of mutual deterrence finds a peace of sorts in the logic of indefinite risk aversion. One foreign policy analyst of the time appropriately dubbed this a “balance of terror.”8

The persuasive power of the mutual deterrence doctrine, however we evaluate its actual practical consequences, lies in its assumption of an international political context in which the two opponent super-powers share the same sense of ‘utility’—the security of the nation-state—albeit from opposite sides of the battlefield. It follows that the best, most self-interested solution for both sides can only lie in a strategic compromise—mutual risk aversion as a response to the threat of mutual annihilation. A certain resonance can therefore be established between the doctrine of mutual deterrence, the Bretton Woods risk-averse model of regulated exchange between national economies, and the politics of the welfare state. In each of these post-World War II institutions, security is equated with the interests of the state, and the state is vested with the role of arbitrating between the catastrophic risks which threaten its survival.
Protecting the Present from the Future

Antonio Negri has argued that the philosophy which gave rise to the welfare state and the New Deal emerged from the encounter with two catastrophic events—catastrophic, that is, from the point of view of the élites with whom Keynes identified. The first was the Russian Revolution of 1917. The second was 1929—an event which Keynes attributed to a classic crisis of ‘overproduction’, in which the expectation of profit-to-be-realized far out-stripped actual demand. For Keynes, these events were proof of the utter failure of classical and neo-classical free-market economics to face up to the structural crisis-tendencies of modern capitalism. When markets are left to themselves, he warned, the economic future of the nation as a whole presents itself as fundamentally uninsured and uninsurable. We are confronted with an element of incalculable risk that no bell-curve will conveniently tame away. The present is singularly exposed to the “dark forces of time and ignorance which envelop our future,” and it is this collective brinkmanship in relation to the future that professional speculators (and revolutionaries!) exploit.

Keynes had already developed a theoretical critique of classical economics in his *Treatise on Probability*, published in 1921. If twentieth century neo-classical economics has inherited something from classical liberal free-market economics, Keynes contended, it is the Newtonian premise of equilibrium. If left to itself, classical economics tell us, the movement of the market will tend of its own accord to cancel out all forms of friction between workers and owners, buyers and sellers, while at the same time eliminating all fluctuations between national currencies. Although each individual economic agent might run the risk of excessive profits and loss, the market, on a collective level, is inherently immune to cataclysmic events of any kind. The horizon of future risk which confronts the liberal economist is nevertheless assumed to be calculable, predictable and hence subject to a logic of insurance. In this way, according to Keynes, classical liberal economics finds its mathematical counterpart in nineteenth century theories of statistical normalization (the Bell Curve and Gaussian chance), where it is predicted that deviations from the norm will become progressively negligible as we widen the time-scale or sample of events to be considered. In its very premises then, (neo)-classical economics attempts to “reduce the future to the same calculable status as the present”, thus eliminating the unpredictable from its “calculator of pleasure and pain.” Keynes elaborates:

[F]acts and expectations were assumed to be given in a definite and calculable form; and risks, of which, though admitted, not much notice was taken, were supposed to be capable of an exact actuarial computation. The calculus of probability, though mention of it was kept in the background, was supposed to be capable of reducing uncertainty to the same calculable status as that of certainty itself; just as in the Benthamite calculus of pains and pleasures or of advantage and disadvantage, by which the Benthamite philosophy assumed men to be influenced in their general ethical behaviour.
Keynes accorded an ambivalent role to risk within his theory of the state. While he no longer assumed the market to be inherently insured against catastrophic risk, he nevertheless believed in the pragmatic possibility of stabilizing risk *post facto* through the invention of novel forms of political equilibrium. In his own calculus of modern economic pleasures and pains, Keynes wanted to factor in the uncertain future, if only as a means of averting its catastrophic effects: the social object of skilled investment he wrote, “should be to defeat the dark forces of time and ignorance which envelop our future.” In practical terms, this would involve measures designed to divert investment away from short-term speculative manoeuvres and into long-term growth at the national-level. It is within this framework too, that we can understand the necessity, for Keynes, both of promoting mass consumption and maintaining optimal employment levels. If state-regulation of financial transactions was designed to curb the propensity of virtual capital to over-step the line between speculative and actual production (crises of overproduction), the goal of ensuring social ‘welfare’ was a move, from the other side, towards equalizing the recurrent gaps between production and consumption. It was a means, in other words, of insuring against that other catastrophic risk—the threat of class resistance. This regulative vision of the state was not limited to domestic affairs, however. Within the order of international relations defined at Bretton Woods, the Keynesian doctrine of risk management was extended beyond the internal affairs of the welfare state and promoted as a means of regulating capital movement *between* states, so that the IMF and the World Bank would act as international credit institutions in place of the vagaries of financial capital.

As these examples would suggest, the project of state-regulated welfare provided the social context in which the strategic vision of mutual deterrence could emerge. Here too, the point was to establish the welfare state as an actuarial institution capable of mediating between and neutralizing the two catastrophic risks of modern industrial capitalism. For Keynes too, this was tantamount to achieving a ‘balance of terror’.

**Neo-Liberalism—Reinstating the Catastrophic**

In the post Bretton Woods, post-Cold War era in which we find ourselves, this actuarial vision of the state no longer seems to hold as a point of equilibrium defining both economic and military ‘world order’. Indeed, if any kind of consensus can be found in the wealth of literature debating the historical shifts which have marked the era from the late seventies onwards, it lies in the argument that we have entered a period of world disorder or chaos, a world in which risk is (again) out of control. More soberly, economists and investors from both sides of the political spectrum point to the central and even productive role of catastrophic or uninsurable risk within the context of neo-liberalism.

One of the best and, ironically, one of the most critical of inquiries into the problematic of neo-liberalism and economic risk, is to be found in the work of speculator extraordinaire, George Soros. In a detailed exposé of the dynamics of speculative expectation and risk,
Soros develops a merciless critique of neo-classical equilibrium models that in many ways recall Keynes. In particular, Soros offers a penetrating analysis of the collective effects of investor expectation, arguing that the speculative evaluation of the future is not so much reflective (and therefore falsifiable) as generative. If we follow Soros, the expectations of investors (their future oriented faith, euphoria or panic) cannot be said to reflect some fundamental value anchored in the past, or even to predict the future on the basis of past occurrences, since they actively create a speculative future. This future may be entirely virtual, and yet it is able to exercise a recursive effect on the present. Indeed, in contexts such as the US in the late 1990s, where cutting-edge technologies were being financed through venture capital investment, collective faith in the future (or lack thereof) became the generative condition mobilizing production in the present. This, of course, doesn’t mean that the most euphoric or panic-stricken evaluations of the future will be realized, simply that we can no longer write off the virtual realm of speculation as a fetishistic distortion of the real or fundamental values involved in production. When speculation becomes the operative condition of production, Soros writes, the difference between the virtual and the actual ceases to be measurable.

In a deregulated capital market, Soros argues, risk is inherently unpredictable; chance no longer subject to the Gaussian distribution, and expectations anything but rational, leaving the investor in the paradoxical situation of having to respond to the emergent or sense the unpredictable. No wonder the rise of speculative capitalism seems to awaken all kinds of neo-messianic, quasi-occult practices and millenial gospels. As Soros nicely puts it: “I cannot predict anything except unpredictability.” Perhaps what is at stake in the neo-liberal model of risk is no longer prediction as such (which implies some kind of ability to predetermine and therefore prevent or at least insure against the advent of the future) but pre-emption, where the point is precisely to continually generate the conditions of emergent catastrophe, in order to profit from it. This at least, as Soros points out, is the driving force behind derivatives, as well as the investment strategies of institutional funds that are as much engaged in promoting volatile price fluctuation as ‘hedging’ against it. Another telling example of this shift from risk-aversion to risk-pre-emption can be found in the recent move to trade actuarial ‘catastrophe risk’ on the capital markets, transforming it from a problematic risk at the limits of the insurable to a potential source of profit. The actuarial concept of ‘catastrophe risk’, encompassing all kinds of events ranging from natural and man-made environmental disasters to strikes and most recently terrorism, designates a risk which is deemed to be inherently incalculable, unlimited in its effects and therefore in excess of the insurance capabilities of any one institution. Since 1995, the reinsurance companies who have traditionally engaged in the most prudent of asset investments and risk-diversification strategies in order to underwrite these losses, have increasingly tended to shift catastrophe risk to the capital market, creating an interesting confusion between risk-aversion and risk-promotion.

The proliferation of high-risk investment strategies such as these is symptomatic of an emerging model of accumulation in which the incessant promotion of insecurity creates its own demand for security.
Securing the Catastrophic Risk

One of the most eloquent arguments in favour of the neo-liberal doctrine of economic risk can be found in the work of the international relations specialist, Barry Buzan. Buzan purports to sketch an agenda for security studies in the post-Cold War era, beginning with the assertion that in the contemporary world, “the scale of the international economy far outreaches both the capability and the legitimacy of any national political authority to manage it.” This represents something more than a descriptive statement within Buzan’s argument. It is precisely this disjuncture between the space of global economic flows and national political power, Buzan claims, which needs to be guaranteed if we are to promote the ultimate freedom of economic risk-taking. A certain degree of economic insecurity, he argues, is not only the inevitable fall-out of financial deregulation but also and more importantly an actual constitutive principle of global economic growth: “Without a substantial level of insecurity, the system does not work.” From this perspective, the market is not only ‘out of control’, it is also by its very nature uncontrollable. Exposed as it is to the fluctuations of international capital movements, the free market is neither “reliably predictable nor effectively controllable” at a national level. Nor should it be, according to Buzan—the risks incurred by deregulated capital cannot be insured against without sacrificing something of the productive freedom of the market. Indeed, Buzan establishes the absolute insecurity of the state, at least on an economic level, as a political imperative from which the state has no right to exempt itself. This is made explicit in a passage where Buzan confronts the difficulty of reconciling the dangers of deregulated capital flows with the traditional prerogatives of the sovereign state. From the point of view of the nation-state, Buzan concedes, the dangers of hot money movements, capital flight and volatile exchange rates may well be indistinguishable in their material effects from an act of war, and yet to respond in kind would threaten the higher order freedom of the global financial markets:

… although the case for economic threats to be counted as national security issues is, in some respects, plausible, it must be treated with considerable caution. Economic threats do resemble an attack on the state, in the sense that conscious external acts by others results in material loss, strain on various institutions of the state, and even substantial damage to the health and longevity of the population. The parallel with a military attack cannot be sustained, however, because while a military attack crosses a clear boundary between peaceful and aggressive behaviour, an economic ‘attack’ does not. Aggressive behaviour is normal in economic affairs, and risks of loss are part of the price that has to be paid to gain access to opportunities for gain.

If we are to follow Buzan’s logic, the right to violence of deregulated capital should override the power of decision of the state—indeed, it is the fundamental insecurity of deregulated capital which needs to be secured against all threats of outside intervention.
Neoliberalism denationalises the element of risk which lies at the core of classical liberal economics. What emerges, as a consequence, is the notion of a risk beyond state regulation—an *uninsurable or catastrophic* risk, as François Ewald puts it in another context. If classical liberalism aligned itself with theories of calculable risk and normal distribution (the famous Bell Curve), neo-liberal economics finds its mathematical counterpart in chaos and complexity theory, where unpredictable, non-Gaussian risk come to the fore. In everything from global weather patterns to stock-market fluctuations, mathematicians are discovering the self-reflexive and generative effects of the accident—*the accident as catastrophe*. If the state nevertheless retains an undeniable political and military legitimacy in Buzan’s work, it is rigorously subordinated to the higher order freedom represented by global economic risk-taking. The *decisionism of the sovereign state, in other words, is mobilized in the service of a prior economic insecurity*. The one is inseparable from the other.

**War at the Edge of Chaos**

The consequences of two decades of neo-liberal politics, from the point of view of defence, are explored in a collection of articles published 1997, under the title *Complexity, Global Politics and National Security*, in which defence theorists assess the new context of risk engendered by the post Cold War era of deregulated capital flows. In one of the more interesting contributions to the collection, entitled “Command and (Out of) Control,” John F. Schmitt argues that defence strategists should draw on the tools of chaos and complexity theory in their attempts to model a new strategic vision for the 21st century. In the post Cold War era, Schmitt suggests, war “may have much in common with other types of non-linear dynamical systems… such as commerce.”

Schmitt contrasts two models of ‘command and control’ in terms of their different understandings of risk, deterrence and predictability. The first, and most familiar, is what he calls the Newtonian model of linear control, exemplified most famously in the strategic thinking of Clausewitz. Relying on the concepts of friction, centre of gravity and self-restoring equilibrium, Clausewitz’s vision of warfare is “deterministically predictable; given knowledge of the initial conditions and having identified the universal ‘laws’ of combat, we should be fully able to resolve the problem and predict the results.”

Clausewitz’s model of linear command and control finds its counterpart in neo-classical economics. As Schmitt points out, this vision of warfare eliminates all ‘noise’ emanating from the direction of the enemy. Just as the concept of rational expectations in neo-classical economics does away with the unpredictable movements of other market participants, “[i]n idealized Newtonian war, the enemy, the least controllable variable, is eliminated from the equation altogether.”

Expanding on Schmitt’s observations, we could classify the Cold War theory of mutual
deterrence as a strategic extension of Newtonian command and control, in the sense that it acknowledges the unpredictable risk—the manoeuvres of the opponent—only in order to purge it. In its critique of classical equilibrium theory, strategic games theory reincorporates the unpredictability of the enemy within its calculations, while at the same time ‘insuring’ against the actual advent of total nuclear catastrophe through the logic of mutual fear.

In contrast with these two models of command and control, Schmitt proposes we rethink warfare in line with the insights of non-linear mathematics. In the post-Cold War environment, he suggests, we can no longer presume that the catastrophic risk will be indefinitely deterred. The threat of mass destruction is no longer manageable within the logic of inter-state conflict, where mutual fear and the ‘maximization of security’ are inherently stabilizing. As a result, Schmitt contends, prediction is inherently impossible. War, he concludes, is fundamentally uncertain and “fundamentally uncontrollable (at least given our current understanding of control).”\(^{32}\)

The implications of the RMA literature, however avant-garde it might seem, were not lost on US defence policy analysts. In particular, the suggestive concept of ‘catastrophic terrorism’ seems to have become a point of consensus for experts seeking to reorganize US defence in the latter part of the nineties. In 1998, the journal *Foreign Affairs* published an article called “Catastrophic Terrorism: Tackling the New Danger,” written by three military specialists with experience in US defence and intelligence agencies.\(^{33}\) The paper suggests that catastrophic terrorism will represent the paradigmatic mode of warfare in the 21st century. Catastrophic terrorism, it is argued, corresponds to neither of the classic military scenarios—civil war or inter-state conflict—in that it involves non-state actors deploying nuclear, chemical, or biological weapons of mass destruction. The authors go on to outline an ominous blueprint for reorganizing US defence institutions, which would meld together domestic law-enforcement agencies with foreign defence. In a follow-up article published after the attacks of September 11, one of the original authors, Ashton B. Carter, again indicts the failure of the US military to anticipate the specific threats of the post Cold War era. US defence, he claims, has been operating with a Fordist, state-centric, military apparatus while in the meantime terrorist networks have adopted modes of transnational organization closer to the dictates of post-Fordist management theory.\(^{34}\) With the breakdown of the Cold War, the exodus of defence experts out of the ex-USSR, and the proliferation of ‘illegal’ nuclear weapons, he argues, the capacity to commit acts of violence on a massive scale is no longer the sole prerogative of the super-power state. Risk itself has escaped the decision-making capacities of the nation-state, and war is no longer containable within the affective limits of mutual deterrence. Terror has become unbalanced—a “non-Gaussian reality,” according to another US terrorism expert.\(^{35}\) Hence its catastrophism.

Carter’s article, along with other similar exposés of US military failures in the face of terrorism, can be usefully read in conjunction with a document written by two Chinese colonels, Qiao Liang and Wang Xiansui, on the subject of the changing nature of warfare. Published under the revealing title of “Unrestricted Warfare” in 1999, this
document provides a view from the other side of the full range of tactics which might be conceivably deployed in the new context of catastrophic terrorism.36 Like Carter, the authors argue that the most immediate threat lies in political and economic formations that do not operate within the boundaries of inter-state and civil conflict, but rather take these boundaries as their object of attack: “non-state forces who do not acknowledge any rules and specialize in taking the existing national order as their goal of destruction.”37 These non-state actors use both traditional military and non-military weapons. Here, the authors point to the information warfare ordinance issued by the US in 1996, which for the first time placed nation-state enemies and foreign intelligence agencies on a par with non-approved users, inside personnel, terrorists and non-national organizations in their destructive capabilities.38 The authors also make the important observation that international terrorist organizations such as Al-Qaeda survive by exploiting the interstices of free-market capitalism, mobilizing a whole network of drug-trafficking, laundered money, and off-shore bank accounts.39 As Schmitt also suggests, the field of manoeuvre in which the new terrorism operates is largely coextensive with the space of deregulated capital. In striking contrast with their US counterparts, however, these authors include international financial speculation within their list of tactics in catastrophic terrorism. Indeed, George Soros takes pride of place at the top of their list of culprits, one notch above Bin Laden:

Newly converging into this counter-current are the international financial speculators. Although there is still no one at present listing these immaculately dressed and dapper fellows in the ranks of terrorists, yet in terms of their actions and calamitous consequences they have caused in England, Mexico and South-East Asia, none of these types, such as the ‘bandits’ and Bin Laden, can even hold a candle to them. Taking the big financial crocodiles as represented by Soros on the strength of a daily business volume exceeding US$120 billion in floating capital, he used financial derivative methods as well as free economic regulations to … bring about one financial upheaval after another… The typical characteristics of terrorism including being transnational, concealed, without rules and tremendously destructive, have given us reason to call it financial terrorism.40

In particular, Liang and Xiansu argue, the volatile movements of hot money which were responsible for wreaking havoc in South-East Asia, should be indicted as one of the most pernicious instruments of the new international terrorism.41 This is not an idea which is frequently encountered in official US defence documents or the mainstream of international relations theory, and yet it is worth noting that the US has publicly declared its intention to treat any attempted speculative movement against the dollar as an act of war.
Logistics of Catastrophe

What we are seeing, then, in recent US defence strategy, is a movement away from the Cold War actuarial model of combat towards a mode of pre-emptive warfare that borrows its tactics from speculative capital rather than insurance. The strategic goal here is no longer to protect the present from the future, but rather to respond pre-emptively to the unpredictable risk, even if this means willing it to happen. I call this the ‘venture capital’ model of war, in the sense that the greater the risks taken, the higher the profit to be made.

In the wake of September 11, one arena in which this new logistics of risk was most publicly canvassed was the insurance and reinsurance industries. Barely a month after the attacks, the US House of Representatives Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises met up to deal with the fall-out in the insurance and reinsurance industries, and to discuss recommendations for the whole-sale restructuring of private insurance. As predicted by Ashton Carter, the various experts who testified before the committee seemed to agree on one point: that the kind of terrorist attacks which had occurred on September 11 represented a fundamentally new class of risk, escaping the limits of the insurable. As one reinsurer testified:

It is crucial that everyone recognize that we are dealing with a peril [that] is not quantifiable and therefore not insurable within the finite resources of the private insurance industry. Quite simply, the financial capacity of our industry is limited. Unfortunately, the potential harm that terrorists can inflict is unpredictable in frequency and unlimited in severity… [t]errorism has become uninsurable in the private marketplace.

In light of this general consensus on the non-insurable effects of catastrophic terrorism, it’s not surprising that one of the most prominent of expert witnesses presented the case for transferring terrorism risk from the insurance to the capital markets, effectively extending the realms of securitized catastrophe from natural disasters and labour strikes to acts of war: “Securitized CAT(astro)phile instruments are likely to be the most efficient way to cover catastrophic events, including terrorism.”

However ‘efficient’ from an actuarial point of view, the use of such instruments seems a perverse way of ‘managing’ the catastrophic risk of terrorism. Yet a similar proposal was also given serious consideration by the Pentagon, in a telling example of collusion between the logistics of high-risk financial investment and the ‘war on terror’. In mid 2003, two senators revealed that the Pentagon’s DARPA (Defence Advanced Research Projects Agency) had been planning to create a commodity-style futures market for possible acts of terrorism in the Middle East. The plan was based on the idea that investors could be persuaded to buy and sell futures contracts predicting the likelihood of catastrophic events such as terror attacks, buying when they believed an event would
occur and selling when if they believed it wouldn’t.\textsuperscript{45} In a statement issued in mid 2003, the Pentagon attempted to defend the market by claiming it had been designed in the interests of US security. Pentagon officials argued that the collective foresight available to traders would provide the US with an invaluable source of information on impending terrorist attacks, apparently overlooking the obvious danger that such an investment in the future of terrorism would also perpetuate the conditions of future attack.

In response to the public outrage surrounding the first public airing of the proposal, the website advertising the terrorist futures market was withdrawn. Yet, however scandalous it may have seemed as a defence solution, the idea of linking the war on terror to the futures market is not so far removed from the more respectable project of securitizing catastrophic terrorism. In both cases, what seems to be at stake is a logistics of fear in which the prospect of indefinite war presents itself as an inexhaustible source of speculative profits. When the threat of terrorism is established as a tradeable high-risk investment, we know that it has indeed become inevitable, however uncertain its time and place. One terror attack to be delivered at some unspecified future date.

The question, to paraphrase Dick Cheney, is when, not if.

\textbf{Crisis Consulting—Ground Zero and Beyond}

The terrorist attacks of September 11, 2001 (an unforeseen event, for which no insurance premium had been collected) produced insured losses greater than any natural or man-made disaster in history. Although most of these losses were borne by reinsurers and rapidly recovered through issuance of debts and equities, the insurance industry vigorously lobbied the US government to provide a bailout measure which would effectively use public funds to reinsure against further catastrophic loss. As Federal Reserve Chairman, Alan Greenspan, phrased it, “… the viability of free markets may, on occasion, when you are dealing with a degree of violence, require that the costs of insurance are basically reinsured by the taxpayer,” an argument that has been used to similar effect by the IMF as a justification for public bail-outs of private investment losses in the wake of financial crisis.\textsuperscript{46} In 2002, accordingly, the US Senate passed its “Terrorism Risk Insurance Act” which designated the government as the last resort reinsurer of terrorism risk.

In the meantime, large numbers of insurers capitalized on the new market opportunities opened up by the fear-prone atmosphere of the post 9/11, post Enron situation, by spawning start-ups, joint ventures and subsidiaries specialising in security services of all kinds.\textsuperscript{47} One such venture, launched by the insurance giant Marsh and McLennan just one month after September 11, and going under the appropriate name of Crisis Consulting Practice, offered to provide multinational corporations with “integrated and comprehensive crisis solutions” for everything ranging from accounting fraud to terror attacks. In 2002, Marsh and McLennan announced soaring profits. The CEO of Crisis Consulting Practice, Paul  

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Bremer, has since been appointed US governor of Iraq, where he has presided over the process of post-war ‘reconstruction’.

A telling insight into the rationale informing Bremer’s administration of Iraq can be gleaned from a report he wrote just two months after the terrorist attacks of September 11, in his capacity as chairman of Crisis Consulting. The report, going under the title of “New Risks in International Business,” identifies terrorism as just one of the many risks confronting US multinationals who invest overseas, often in the context of IMF structural adjustment programs.\textsuperscript{48} The inevitable and often aggressive backlash against such programs, Bremer contends, has generated all kinds of new risk for US interests, ranging from government interference in international investment, renationalization of privatized services, the reimposition of tariffs and taxes, and the re-regulation of financial markets. Bremer draws no distinction between the ‘anti-globalization’ movement in general, popular nationalisms, nation-state resistance to IMF intervention, and acts of terrorism. Nor, it seems, does he distinguish between the ‘war on terror’ and the continued pursuit of neo-liberal globalization. Bremer’s own trajectory is exemplary here. Under the pretext of overseeing the peaceful transition of Iraq from despotic ‘welfare’ state to democratic open market, Bremer has vigorously pursued a politics of massive retrenchments, enforced privatisations and the imposition of free trade conditions in an effort to welcome mostly US-based transnationals within its borders.\textsuperscript{49} If these same businesses are now faced with the whole gamut of ‘new international business risks’ presciently identified by Bremer, this is being brandished as a justification for further security measures by the US. Given the unwillingness of the US government to invest its troops in a no-win situation for any extended length of time, it seems probable that these services will be contracted out to private security companies such as the mercenary armies now operating in Afghanistan. Or even to Bremer’s Crisis Consulting.

In his double role as state-appointed governor of Iraq and CEO of a crisis consulting firm, Bremer encapsulates the circular and self-perpetuating logic of neo-liberal (in)security. As permanent war has replaced permanent innovation as the mantra of millennial neo-liberalism, our alertness to terror has become the driving force behind continued accumulation, threatening to keep the market for security indefinitely afloat. In a very real sense, the affective dynamics of fear and (in)security are the mobilizing force behind indefinite war. And yet collective affect is notoriously volatile and any sudden mood-change may undermine the war effort.

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Notes


17. I am here referring to Soros, *The Crisis of Global Capitalism: Open Society Endangered* 39. This work has been analysed by economists ranging from Christian Marazzi (2002) to André Orléan, in *Le Pouvoir de la Finance* (Paris: Odile Jacob, 1999). It should be pointed out that in this work, Soros is consciously drawing on the insights of non-linear and fractal mathematics to analyze the peculiar temporality of capital markets. The classic reference is the French mathematician Benoît Mandelbrot, who first developed his fractal theory of natural geometry in an attempt to model unpredictable fluctuations in the stock market. See Benoît Mandelbrot *Fractales, Hasard et Finance* (Paris: Champs-Flammarion, 1997).


21. For a detailed and fascinating account of the securitisation of catastrophe risk, see Philip D.


23. Buzan, People, States and Fear 236.

24. Buzan, People, States and Fear 125.

25. Buzan, People, States and Fear 130.

26. François Ewald, “Two Infinities of Risk,” trans. Brian Massumi, The Politics of Everyday Fear, ed. Brian Massumi (Minneapolis: U of Minnesota P, 1993) 221-228. In this fascinating essay, Ewald is specifically interested in the emergence of the concept of ‘ecological risk’ in the 1970s. However, in light of Ewald’s earlier work on the relationship between discourses of risk, probability and classical liberalism, I think we can extend upon his characterization of the ecological risk to develop a notion of the neo-liberal risk in general. As Ewald notes, “[f]or a long time, the domain of risk was coextensive with that of the insurable. By its very nature, however, it tends to exceed the limits of the insurable in two directions: toward the infinitely small-scale (biological, natural, or food-related risk), and toward the infinitely large-scale (‘major technological risks’ or technological catastrophes such as the Amoco Cadiz, Seveso, Three Mile Island …).” (222)

Like financial risk in an era of deregulated capital markets, ecological risk is both microscopic and global in its consequences. What is at stake in the passage from liberalism to neo-liberalism, I would suggest, is a denationalisation of the economic sphere and hence a denormalization of risk. Interestingly, such a shift is paralleled by recent developments in the mathematics of chance, which are similarly tending towards the concept of probabilities that are no longer subject to the normal distribution or bell-curve.

27. I am of course referring here to the ‘avant-garde’ of neo-liberal theorists, given that many of its advocates still subscribe to the neo-classical idea of self-equilibrating markets and rational expectations. There is an abundant literature on the consequences of chaos and complexity theory for contemporary economic questions. See in particular Paul Ormerod, Butterfly Economics: A New General Theory of Social and Economic Behaviour (London and Boston: Faber and Faber, 1998) and The Death of Economics (London and Boston: Faber and Faber, 1994); Edgar E. Peters Chaos and Order in the Capital Markets: A New View of Cycles, Prices and Market Volatility 2nd ed. (New York: John Wiley and Sons, 1996) and Patterns in the Dark: Understanding Risk and Financial Crisis with Complexity Theory (New York: John Wiley and Sons, 1996). Peters sees chaos theory as a means of putting the Austrian school of economics (à la Friedrich Hayek) on a firmer mathematical basis. Unpredictable risk or insecurity lies at the heart of his vision of the self-regulating economic order: “Uncertainty is not necessarily bad or synonymous with risk. Complex systems use uncertainty to their advantage as they adapt to changes in their environment and learn to be resilient to unexpected shocks. Uncertainty, then, rather than being the source of so many problems, becomes a necessary element if a market and a society are to remain free.” (1999, vii)


32. Schmitt, “Command and (out of) Control” 236.


35. Anthony H. Cordesman, Terrorism, Asymmetric Warfare and Weapons of Mass Destruction:
38. Liang and Xiansui, *Unrestricted Warfare* 133.
41. Liang and Xiansui, *Unrestricted Warfare* 150 (note 10).
42. For a detailed look at moves to securitize terrorism risk, see Bougen, “Catastrophe Risk” 270-272.
45. Julian Borger, “All Bets are off on Terror, Rules Pentagon,” *The Guardian*, 30 July (2003) <guardian.co.uk/Print/0,3858,4722612,00.html>