Dick Bryan and Mike Rafferty, *Risking Together: How Finance Is Dominating Everyday Life in Australia*. Sydney University Press; Angus & Robertson: Sydney, NSW, Australia; Melbourne. VIC, Australia, 2018; 234 pp. ISBN (paperback) 9781743325728, AUD23.75.

Reviewed by: Mohamad Mourad, *School of Banking and Finance, UNSW Business School, Australia*

Bryan and Rafferty's objective in *Risking Together* is to critique a social experiment that has been, and continues to be, conducted in Australia. Underpinned by state legislation and cultural change since the 1970s, private businesses and governments have shifted risk, previously borne by these entities, towards households. Moreover, the experiment is presented as a process designed to increase households' ability to bear more risk in additional domains of a household's daily and social life. Although the authors focus on matters of risk concentration and risk distribution, there is a second factor at play. The second factor is the creation of specifically tailored financial products which are seducing households to absorb more risk via the contracts they sign (p. 103).

The point worth emphasising about risk-shifting is not simply that one entity shifts risk onto another. Risk-shifting typically arises across companies and has been evident prior to the period described in the study. However, the risk-shifting being analysed by Bryan and Rafferty is that of both businesses and governments shifting risk onto households – most of which have little to no formal specialisation in finance compared with the former two entities. One contradiction that emerges from the current state of play is households, being one of the sources of stability in the economy, have now become a source of instability, yet are simultaneously required to retain that same degree of stability that was eroded.

Bryan and Rafferty's sustained analysis allows the reader to extract a theme or general criterion for evaluating the degree to which finance has become pervasive in Australian society. The criterion is to be understood as follows: the increase in the usage of finance is not so much an outcome of financial entities increasing their usage of finance, but rather the increase in the usage of finance by *non-financial* entities. Finance-based companies using increasingly exotic financial methods or processes can be described as a weak criterion for ascertaining the degree of pervasiveness of finance in society – simply because it is expected that financial entities are designed principally for engaging exclusively in financial activities. The stronger and more insightful criterion prevails when non-financial entities such as individuals or households begin to be exposed to, and engage in, the logic of finance.

The authors illustrate, as a case in point, three areas of private daily life that have become not simply financialised, but increasingly so in recent years. These three areas are health, sports, and phones. When questioned about the significance of health, sports, and communication (phones being the means to communication spatially and temporally), most individuals would reply that they are priceless. Individuals typically do not put a price on their health, their enjoyment from watching sport, or communicating with friends and family. Bryan and Rafferty argue that the logic of finance has now encompassed these three domains, and other domains associated with households, through the increased calculation and pricing of the risks involved in their consumption.

The method of presentation and argumentation in the book allows the reader to extract a further theme: the notion of finance as a mode of thinking and calculation. Finance involves extensive and complex calculations within increasing domains of a household's daily life. These financial calculations are about making clear, quantified risk-return choices (p. 22). Ironically, the contradiction brought about by households being forced to make clear financial choices is that the elements subjected to finance (such as health, sports, and phones) become competitive, risky, and uncertain. Furthermore, clear financial calculations imply a degree of sophistication in understanding the distribution of key variables that impact the households' investment strategy and investment horizon – something in which most households may not be well versed.

Reference is made to the process of financialisation throughout the book. Financialisation has a range of definitions in the literature. At its core, 'financialisation' refers to the extension of finance into non-financial spheres of the economy or society. A second key process that has become more prevalent post-Global Financial Crisis is the securitisation of cash flows by private businesses. Health insurance providers, sports entertainment providers and telecommunication providers, among others, offer a set of contracts encompassing a myriad of choices from which households choose a product. Increasingly, service providers are bundling the ensuing periodic cash flows from these contracts and selling them off as a bond at a price that factors in the risk of such cash flows. In this manner, the service providers benefit from removing the risk presented by households to the investors that purchase these securitised bonds. The third key theme is that of forced adaptation to new conditions. Households are forced to adapt to these conditions and can be somewhat likened to a 'price taker' – passive and unable to generate power to affect outcomes.

Key points

Unit of analysis: The household

At first glance, it may seem slightly problematic that the unit of analysis in *Risking Together* is the household and not the individual. After all, finance is a branch of microeconomics, which is the study of markets and choices by individuals. However, Bryan and Rafferty present three convincing reasons for using the household as the unit of analysis in their study. They argue that the household is (1) being perceived increasingly as a unit of financial administration by businesses and governments; (2) itself increasingly becoming unit of policy analysis and risk surveillance; and that (3) the availability of data in Australia for this subject matter is predominantly at the household level (p. 36). Another reason for examining households, despite their high degree of heterogeneity, is that households' members collectively bear costs such as rent or mortgage payments, bills for utilities and health insurance.

Businesses (employers) shifting risk to households

The authors note that they expect continued demand by employers in Australia for flexibility in wages and employment conditions and even in the nature of 'employment' itself (p. 51). An even higher level of degree of labour market flexibility primarily suits employers at the expense of employees who will then bear the burden of precarious cash inflows from the selling of their labour power. However, the statement should be qualified by noting that a degree of flexibility is not inherently a negative factor in the Australian labour market. For some members of Australian households, such as university students and guardians (usually women), flexible working arrangements are vital to secure a stream of income, given their rigid commitments.

Governments shifting risk to households

At a broader level, the authors correctly identify a driver of financialisation to have been the reduction of the size of government and selling publicly owned assets to private companies over the past three decades. Asset sell-off initiatives were not restricted to the Federal level but occurred at state government level in Australia. One can also make the argument that governments in Australia are in some respects 'run' like businesses themselves. As such, it does not come as a surprise that the government is shifting risks onto its 'customers' (households).

The analysis clearly identifies the key contributing historical trends and contingencies. In particular, the discussion on the rise of 'contractualism' in relation to citizenship rights and benefits is well analysed (p. 31). The rise of contractualism is not restricted to market relations. In particular, successive Federal Governments have altered the form of their targeted welfare system to one that is increasingly contract-based. Previously, social welfare payments were paid to those without income, largely arising from a lack of job availability resulting from government economic policy. However, in recent times, the government's stance has changed given the prevalence of the financial mode of thinking. A one-dimensional eligibility criterion for welfare payments (lack of a job) has given way to multi-dimensional criteria, including asset-testing (p. 69). Assets includes labour income, shares, bonds, and rental income, which is much more comprehensive than labour income alone. In addition, individuals seeking to access welfare are required to meet extensive government-stipulated quasi-contractual 'mutual obligations', such as rate of search for jobs, some of which are non-existent, or other 'activity' tests.

Financial markets and financial innovation

Households are now run like businesses, according to Bryan and Rafferty. Households are required to manage the major life-course risks that they face following the multitude of risk-shifting that has occurred by businesses and governments. This development has spurred on financial markets to increase the degree to which financial products can be created to sell to households. These developments reflect a significant cultural shift where the social sphere is increasingly being viewed from a financial and a risk-based perspective (p. 143). The authors draw an analogy between households and hedge funds to draw attention to the extent to which households are managing a range of risks that has been shifted onto them (p. 124). However, one ironic difference between households and hedge funds is that the former cannot sell off their assets in times of market volatility – primarily because their assets are illiquid. The house, car, personal electronic goods and so on are all critical for the household to create and re-create its material life.

Limitations

Bryan and Rafferty's analysis of how finance permeates everyday life and how risk is shifted from both businesses and governments in the direction of households is comprehensive. However, there are some conceptual limitations surrounding (1) the notion of households' risk-bearing capacity; and (2) the practicalities of their proposed methods for households to deal with government and private business risk-shifting.

Households' risk-bearing capacity

The authors' analysis is clear in how risk-shifting has increased in recent decades and how it is a strategy used extensively by governments and businesses. Nevertheless, households are implicitly presented by the authors as inherently passive actors – simply accepting the additional risks with little to no ability to respond. However, the future is not predetermined. Bryan and Rafferty argue that we can expect risk-shifting to be a default setting of businesses and governments in relation to households. Nevertheless, is there a ceiling on household's capacity to keep on bearing additional risk? The subprime mortgage crisis in the US in 2007–2008 illustrated the effects of households exceeding the threshold for bearing risk. As the authors indicate, a limit was reached, and many households defaulted on their loans (p. 170). This episode suggests that households' ability to bear risk is not an unlimited capacity. The economic consequences of continued risk-shifting are likely to be significant going forward.

Practicalities of proposed methods of households addressing risk-shifting

The authors' proposed first step in handling the financialisation trend is the creation of household unions *à la* labour unions. Indeed, the idea of household unions can be simply extracted from the title of the book. Understandably, the idea of 'risking together' is a relatively new idea as proposed by Bryan and Rafferty. The idea is ambitious and is somewhat problematic for four reasons:

1. It is not clear what form of organisation a household union would take. The authors indicate that a household union would represent ordinary people in their household budgets. It could be a labour union or some other form of organisation. The idea, while imaginative, is underdeveloped and needs to be thought out in greater detail. One point of further discussion could be whether there is to be one

overarching household union organisation representing all households, or a set of smaller household union organisations each representing a significant area of a household's now-financialised life. Substantial logistical and organisational issues would then need to be resolved.

2. The scope of action of a household union would evidently be quite large given the ubiquity of finance in daily life. However, could a household-based union be genuinely effective in addressing risks emanating from the sphere of finance?
3. There are issues of incompatibility if the proposal is that labour unions be re-engineered as household unions. These include questions relating to the scope and understanding of the issues that need to be addressed.
4. If household union(s) can be founded, there is a danger that they would reinforce the relative lack of sophistication of households' understanding of financial matters and financial calculations. After all, representatives are there to act on behalf of their members. Is there a guarantee of their capacity to increase the comprehension of financial products or financial literacy levels on the part of households?

Such misgivings are in some ways anticipated in the authors' conceptualisation: they harbour *hope* that we can build [a platform for risking together] (p. 4).

Finally, although the authors are to be commended for suggesting a solution, there is an important yet implicit reason why a union of households might be ineffective or counterproductive. This reason lies at the basic points of choice and substitution. The overwhelming majority of household members have nothing to sell except for their labour power. Hence, when a labour union initiates a strike demanding better working conditions, the public at large will generally understand why such a strike is occurring, even though they may disagree with it fundamentally.

Suppose that a household union exists. The household union then organises a strike on households' contractual payments (or even partial strikes as mentioned by Bryan and Rafferty) based on a consumer product purchased by a set of households (p. 200). What will be the outcome here? Can such a strike be effective? Can it generate any understanding or sympathy from the public? Rather than striking against a particular product or service, households can in principle substitute away from it and find another service provider or financial institution or telecommunications service provider. The household has made a choice to purchase a particular product. They have exercised agency of their own accord and were not in a position of being forced to consume a product. By contrast, in the labour market, the individual has no choice but to sell their labour power.

Conclusion

Bryan and Rafferty's object of analysis in *Risking Together* is of great sociological, psychological, and social interest. The two authors have extensively discussed the themes of (1) the prevalence of finance in daily life; (2) financial ways of thinking and calculation; (3) forced flexibility and adaptation of households; and (4) financial product innovation. They make a strong case that the result of the experiment is that households have, in effect, been turned from non-financial entities into financial entities. Households now bear and are required to manage life-course risks as well as income risk, balance sheet risk and liquidity risk, among others, in the manner of financial institutions. The analysis provided throughout the book is comprehensive and insightful. The examples of risk-shifting are abundant and extensive, ranging from the smallest cases such as 'prosumption' (households slowly being required to do the work of placing their purchases in bags when visiting supermarkets – previously done by the employees of the supermarket), to the more significant examples of selling and buying assets using high levels of debt. The one key area requiring further thought and discussion in the book is that of the responses proposed to deal with the prevalence of finance in everyday life of households. But the authors are to be commended for initiating this discussion.