

Moral Hazard and Abundance

[Toby Russell](#), January 2009

“[Moral hazard](#) is the prospect that a party insulated from risk may behave differently from the way it would behave if it were fully exposed to the risk. Moral hazard arises because an individual or institution does not bear the full consequences of its actions, and therefore has a tendency to act less carefully than it otherwise would, leaving another party to bear some responsibility for the consequences of those actions.”

The super-successful of the corporate world, with their “golden-parachute” contracts, are in no real danger when it comes to paying for the consequences of their “legal” actions, at least financially. They are extremely unlikely to end up destitute. Strangely, the higher up the ladder you climb, the less likely you will fall far, unless you are the type that spends beyond your means no matter what your income. Jail may beckon, but only in instances of fraudulent behaviour that is exposed and successfully prosecuted, yet even then the very rich seem to enjoy special protections – they can certainly afford the best lawyers, and even have a say when laws defining fraudulent behaviour are set.

The credit crunch and resultant financial maelstrom seem to be the result of [fraudulent activities](#). Their fall-out, however, lands on the innocent more than on the guilty. Those high enough up in financial institutions to have been able to rubber stamp the deals and instruments that led to the debacle, are rich enough to shove their hands so far up the arses of politicians and owners of the main stream media, that they are virtually immune from danger (maybe the internet [will change this](#)). So moral hazard, perversely, only really seems to disappear if you are poor/powerless enough to suffer whatever consequences arise from your actions. Regardless the instrument of power, whether money or military, might still makes right, it seems. Perhaps any adequate definition of civilisation ought to include might being humanely and equitably deployed. We are a long way from that yet.

[In a non-monetary society](#), one in which there is necessarily no poverty, moral hazard – at least in the sense of material suffering – approaches infinity, thereby becoming a redundant concept, since everyone enjoys the same material standard of living come what may. On the other hand, the incentives to pursue the type of schemes that lead to disasters like the credit crunch, evaporate. But what of other risky pursuits? Can we simply claim that everyone in a society of abundance will not be motivated to pursue socially reprehensible behaviours? If you think about it, this is no weak claim.

What abundance intrinsically means is that there is simply no incentive to compete with others with a view to gaining some kind of material advantage over them – what would be the point? The “competitors” you would have are yourself or some problem to be solved, the only goals those of self-betterment and the continuing improvement of the global standard of living. Yes there will still be failures, disasters and tragedies as a consequence of human folly, but punishment would be inappropriate, since it would anyway arise from within in the form of remorse, and most likely be devastating. In a world of emotional adults, everyone would understand that he or she is responsible for their actions, and not seek to shift blame, to sidestep responsibility. What need a “daddy” or a “mummy” in the form of a state to do the punishing/judging/rewarding? Conditions of abundance foster a natural spirit of cooperation, as well a proper sense of our own power and responsibility.

A helpful analogy is the human body. In conditions of abundance this bio-chemical system’s cells cooperate with one another to keep the system healthy; that is, when enough food, water and air are providing the correct amount of nutrients. Should the body not get enough, the cells begin competing with one another for the now scarce resources, and the system breaks down, eventually leading to collapse and death. Society can be seen in a similar light. The more scarcity there is, the more competitive behaviours are brought to the fore in members of that society, until societal breakdown. Should an abundance of all resources be provided for all people equally, cooperative behaviours would naturally emerge, hence no need to worry about moral hazard.

“So I would simply say there is nothing in our total experience which shows that when there is not enough to go around, it is illogical for men to fight to the death, because they are going to die anyway. There is also nothing illogical in the concept that when there is enough to go around men will not even think of fighting.” (Buckminster Fuller, *Utopia or Oblivion*, p197.)