



**S. RAJARATNAM SCHOOL
OF INTERNATIONAL STUDIES**
A Graduate School of Nanyang Technological University

RSIS COMMENTARIES

RSIS Commentaries are intended to provide timely and, where appropriate, policy relevant background and analysis of contemporary developments. The views of the authors are their own and do not represent the official position of the S.Rajaratnam School of International Studies, NTU. These commentaries may be reproduced electronically or in print with prior permission from RSIS. Due recognition must be given to the author or authors and RSIS. Please email: RSISPublication@ntu.edu.sg or call 6790 6982 to speak to the Editor RSIS Commentaries, Yang Razali Kassim.

Recession: Impact on Security and Cohesion

Bill Durodié

25 May 2009

No sooner had the economic crisis emerged than officials and security agencies started worrying about its implications for social stability. This tells us more about their crisis of confidence than inherent tendencies. The recession will not necessarily lead to social problems. Politicians should engage the public in debating it.

IT IS STRIKING how swiftly the world moved into recession and how unexpected this was, even for major players. On 20 June 2007 in his Mansion House speech, then UK Chancellor of the Exchequer, Gordon Brown, congratulated the Lord Mayor and City workers for helping to create “an era that history will record as the beginning of a new golden age for the City of London”.

The US sub-prime mortgage crisis emerged a month later. By September 2007, the UK’s Northern Rock Bank was seeking support from the Bank of England to address its liquidity issues brought about through this. Even at that stage many analysts considered the matter to be specific rather than systemic. At his 13 August 2008 press conference on the Bank of England’s quarterly *Inflation Report*, governor Mervyn King announced: “The central projection is one of a broadly flat output over the next year.”

Elite Insecurity

Events then accelerated from September 2008 onwards with the bankruptcy of Lehman Brothers, the Federal takeover of Fannie Mae and Freddie Mac and the sale of Merrill Lynch. Only one month later, a major UK policing agency was discretely asking: “How will crime against business and industry change in an economic downturn?”

This suggests the discussion on the implications of the recession for security and social cohesion has been driven by speculative and anticipatory concerns rather than evident trends. That is not surprising as the contemporary period is more marked by elite insecurity than inherent social instability. The flurry of speculation as to what will ensue reflects the prejudices of the pundits. Some commentators suggest the recession may be a good thing. These romanticise a supposed spirit of community they hold will emerge from an enforced curb on consumption, as well as possible environmental benefits

brought about through reduced carbon emissions.

One should be extremely wary of talking up the crisis however, as the British shadow health secretary discovered. He was chastised for suggesting the recession would be good for bonding families by preventing people from buying cigarettes and alcohol. The masses may not be revolting, but they are not stupid either. They are quite capable of noting that a recession is nothing to celebrate. It will mean severe hardship for a considerable percentage of the population. To distract people from this through talk of social bonding and environmental advantages is churlish and complacent.

Inevitability of Social Instability?

At the opposite end of the spectrum, some have worried that the crisis will lead to social unrest. These overestimate the inevitability of social instability and underestimate its requisite political drivers.

Compared to previous recessions the worldwide working class has never been so disconnected and disorganised. In the 1960s and 70s leaders across the globe faced the twin threats of the organised labour movement within their borders and the alternative of communism outside. These elements disintegrated from their own internal stasis over the period of the 1980s and 90s leaving behind an atomised and disillusioned workforce.

Of course, atomisation breeds alienation with a concomitant and occasional lashing out against the system. But this is sporadic and exceptional, rather than generic and protracted.

The concerns of the elites therefore have more to do with their sense of isolation and insecurity than any conscious or organised threat. Indeed, most world leaders do not even face a serious challenge from within their own ranks at this time, let alone one from outside. Electoral defeat is more likely to come from internal, intellectual exhaustion than from principled challenges that pose real alternatives for people.

The most vocal and critical have been the disgruntled middle classes, and their supporters in the media. Of course, ever since the French revolution, it has been the historic role of the middle class to co-opt the lower orders in their struggles only to turn against these at the last moment. However, the absence of any oppositional ideology today suggests this to be extremely unlikely.

Economic Crisis and Crime

Crime, of course, is a separate matter to social unrest. One might expect a combination of individuated outlooks and social hardship to lead to some increase in particular types of criminality. These may take various forms, such as fraud connected to repossession, bankruptcy and insolvency, or intellectual property (IP) theft and counterfeiting. Illegal immigration and insurance scams may also increase, as could covering-up errors for fear of losing one's job. But some crimes, such as metals theft in a period of diminishing demand, may decrease.

The important thing to note is that these are individual responses rather than organised ones. It is the worrying about, and talking up of, the possibility of crime that may encourage it. Blaming bankers for causing the problem will also be unproductive. This ignores the responsibility of governments in encouraging their activities over the previous decades, as well as the deep-rooted manufacturing weaknesses that financial services were compensating for.

Oddly, it may be the absence of resistance that has allowed political leaders to avoid the hard intellectual and managerial tasks required of them, such as allowing banks to fail and curbing spending. This suggests we face a political, as well as an economic crisis.

It is clear that many have still to appreciate the true severity and longevity of the problems that confront them. Even when the recession recedes, deeper structural problems will still need to be addressed, as will the lack of the requisite leadership and vision to do this.

The emphasis on promoting 'Green' solutions reflects the low horizons that preceded the crisis. 'Green' jobs are unlikely to be well-paid or productive. A campaign to encourage everybody to switch to energy-efficient light-bulbs is not the same as the research and production facilities required to develop and produce these. 'Sustainable' growth is code for 'low' or 'no' growth.

Need for Dialogue with Public

Finally, for all the talk of Keynesian pump-priming, that is easier said than done in economies within which state-spending already accounts for 40-50% of total expenditure. State cuts are more likely to be required. These are unlikely to be popular, but they may not be rejected either.

Many of the measures so far introduced to address the crisis have been seen to be half-hearted or half-baked, simply converting the current private debt crisis into a future public one. What may be most important for the elites at this time therefore would be to engage the public in an open dialogue as to what should come next.

The crisis will not automatically lead to class conflict or social unrest, but neither will it be good for communities and the environment. A genuine engagement with the public as to future possibilities as early as possible may serve to off-set the pain of the necessary cuts that lie ahead.

Bill Durodié is Senior Fellow with the S.Rajaratnam School of International Studies (RSIS) at Nanyang Technological University. He is also Co-ordinator of the Homeland Defence Research Programme in the School's Centre of Excellence for National Security.