From risk society to audit society

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Abstract: Contrary to what is sometimes claimed, the 2008 banking crisis occurred in an ultra-regulated environment. Legislative and regulatory financial-security regimes have in fact multiplied in recent years. The economic crisis is accelerating the transition of the risk society towards the audit society. But the G20 (Group of Twenty) declarations in Washington and London also reveal a managerial utopia: the march towards a society of confidence or harmony that would make controls superfluous. In this context, the article seeks to call upon philosophical, sociological and managerial references to risk, from Foucault to Power by way of Beck, Giddens & Ewald, to shed light on the official declarations of the leaders of the world's main economies. The documentary corpus examined includes all the G20 works published between November 8, 2008 (preparation for the Washington Summit) and April 2, 2009 (conclusions of the London Summit). The political philosophy underlying the G20's works remains fundamentally liberal, even though saving the worldwide market economy involves established security systems as well as self-control and control of others. In the end, the leaders do not decide between reinforcing the existing tools and inventing new systems. The updating of security technologies is meant to serve the preservation of the capitalist managerial utopia. This gives rise to a new variant of Beck's risk-society paradigm, too often confined to environmental threats alone, in three phases: (1) The crisis is a consequence of financial modernity and in particular of the inefficiency of regulation in the face of growing sophistication in techniques; (2) To restore confidence, the states and international institutions want, paradoxically, both to reinforce regulation and promote flexibility; (3) Thereupon, flexi-security controlled by worldwide economic governance characterizes the second financial modernity.

Key words: auditability; regulation; risk society; G20, financial crisis; flexi-security; audit society

1. Intellectual puzzle

The world's financial institutions are now using confidence–an abstract, almost religious value–to summarize the causes and effects of the international economic turmoil. "Restore confidence" was the objective assigned by World Bank president Robert Zoellick at the London summit of the G20, the group representing the world's main economies (World Bank, 2009). Reacting to the same event, the managing director of the International Monetary Fund (IMF), Dominique Strauss-Khan, declared in *Le Figaro* on April 6, 2009: "The crisis is quite largely a crisis of confidence."

For this reason, we cannot be content with a macro-economic analysis of financial dysfunctions. The crisis of confidence is occurring first of all in a sociological and philosophical environment where the concept of risk plays a decisive role. In this regard, we should note two paradoxes in the current manifestations of the crisis.

First paradox: Contrary to what is sometimes claimed, the 2008 banking crisis is not occurring in a

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deregulated environment. On the contrary, what is striking is the existing quantity of regulations, laws, directives and recommendations dedicated to financial security and risk control. To cite only a few, let us mention the following: *Sarbanes-Oxley Act* (U.S. law, 2002); *COSO II pronouncements* (International internal audit standard, American origin, 2003); *The Combined Code on Corporate Governance* (British code, 1998); *The Turnbull Guidance* (British pronouncements on internal auditing, 1999); The 4th, 7th and 8th accounting directives (European directive on legal auditing of accounts, 2006); *Directive on oversight of financial conglomerates* (European directive, 2002); *Basel II Agreement* (international agreement specific to the banking sector, 2004); the Financial Security Law (French law, 2003).

All these texts have different objectives and a specific legal scope and are part of specific economic and regulatory environments. Nonetheless, they all involve business ethics, to the extent that they promote practices aimed at restoring confidence. The phenomenon of the explosion of risk was summarized by Power (2004) in the phrase “the risk management of everything.” Hence the crisis does not reveal a lack of regulating systems. On the contrary, it highlights the excessive number or overlapping of existing legislative or regulatory systems.

Second paradox: in the 1980’s and 1990’s, the feared catastrophic risks had to do more with the area of environmental threats, whether industrial or climatic in origin. When the German sociologist Beck conceptualized the risk society in 1986, he mainly studied the example of the Bhopal catastrophe which had occurred two years earlier. The year he published his work, the nuclear reactor at Chernobyl exploded.

And so in 2001 Latour deplored the fact that Beck’s work had been reduced to the “technologically greater risk” whereas according to him it was a matter of general sociology (Latour, 2001, 7-8). We find today that catastrophic risk is not just of industrial or terrorist origin but that there is also a serious threat of worldwide economic failure. Unlike political or natural risks, global economic peril is strictly endogenous: The financial industry produced the instruments that are now contributing to its destabilization. Now when the call is for sustainable development, the world is forced to note that there is a more immediate economic risk than the environmental one.

In this context, the purpose of this article is to update and operationalize risk theories, starting with the current demand for financial security. How should we categorize systems for auditing existing risks or those currently being put in place? Is the growth in regulation a factor for rigidity or flexibility in the international economic sector? How should we model the shift from risk society to audit society at a time of globalization?

To explore these questions, the author will analyse in succession: Theoretical references relevant to risk and audit (section 2); The methodology applied to analyzing texts (section 3); Presentation of the results (section 4); The conceptual processes and models proposed (section 5).

2. Review of relevant literature: From risk society to audit society

The literature frequently associates the concept of risk with that of modernity, or, more precisely, post-modernity–a neologism created by Lyotard (1979). Beck (1986) depicts risk society as the path of modernity. According to him, the paradigm of the risk society tends to replace that of the distribution of wealth. We therefore evolve, imperceptibly, from a society in which the distribution of wealth was at the heart of political and social debates toward a society in which the distribution of wealth becomes the first issue in the social debate. At a time when the dangers–health, technological, terroristic or industrial–are increasingly numerous, it becomes ever more difficult, even impossible, to make others bear responsibility for them. It is therefore natural in this context to see the emergence of–if not a radical challenge to–modernity, at least a calling into question of modernization.

Giddens, for his part, sees a consequence of modernity in the risk society. He focuses primarily on “risks with serious consequences and weak probability” (Giddens, 1994), i.e., catastrophes. Catastrophism is obvious in the image he gives to describe modernity: “a race on board a juggernaut going full speed” (1994, 59), “a raving-mad truck–a runaway engine of enormous power which, collectively as human beings, we can drive to some extent, but which also threatens to rush out of our control. The juggernaut crushes those who resist it, and while at times it seems have a steady path, there are times it veers away erratically in directions we cannot foresee.” (Giddens, 1994).

After Luhman (1979), Giddens establishes the link between the concepts of risk and confidence. Among the distinctive traits of the new modernity, in fact, he notes the key role of “expert systems.” The expert system belongs to a particular technical domain. It lumps together know-how relating to this technical domain and the experts who control its operation. The user of an expert system has not generally mastered the technical knowledge that underlies the system but nonetheless has confidence in it. It is not necessary to be an architect or entrepreneur to use a stairway. The user will, however, unconsciously express confidence–in the sense of article of faith–in the expert system. We know our everyday activities present risks, but we have sufficient confidence in the expert systems to believe that these risks are unlikely. Without this confidence, we would be in a state of constant insecurity.

Risk can therefore be seen as a characteristic of modernity, or as one of its consequences. Conversely, the concept of risk can be viewed as a *condition* of modernity. This is the thesis advanced by Bernstein (1996) and Ewald (1991) in particular. Ewald reminds us that the concept of risk comes from insurance. He defines risk as “the actual value of a possible damage in a determined unit of time” and assigns three fundamental dimensions to the concept:

(1) A scientific dimension (the probability of a risk occurring can be calculated);

(2) A collective dimension (risk affects a population; it is the condition for calculating the probability of an occurrence);

(3) A financial dimension (risk can be financially compensated; that is where insurance comes in).

Whatever definition they give to the concept of risk, all these authors agree on the fact that modern societies strive to control the perils facing them. That is how the society-where-people-speak-of-risk gives rise to a society that audits risks. The audit or auditability society (Power, 1997) is characterised by an explosion in the auditing of risks. This promotes the emergence of the “chief risk officer”, who becomes an “éminence grise” within the organization (Mikes, 2008). In this context, construction of the audited, according to Power, takes on greater importance than the audit itself. This is one of the explanations for the first paradox: Organizations are more concerned with the apparent conformity of their process with the financial security laws than with the real efficiency of the audit systems.

Table 1 Problematization, programme and technologies

Problematization	Second modernity or postmodernity: The risk society (Beck, 1986; Ewald, 1991; Giddens, 1994)
Programme	Risk management of everything (Power, 2004)
Technologies	Enterprise risk management (COSO II, 2003), approches par les risques (Lagarde, 2005), financial-security laws and regulations, risk-based control systems (RBC)

At the meta-theoretical level, finally, we should note that the procedures for auditing risks put in place by organizations can be viewed as security technologies in the meaning that Foucault (2004) gave to this term. And so, to take up the categories of Miller (1990), the tools of financial regulation appear to be technologies in the service of a programme of global risk management, in the context of a problematization which is that of the second modernity (See Table 1).

It remains to be determined to what extent the economic crisis contributes anything new in relation to the existing theoretical framework, established in an era when financial modernity was considered a factor in development.

3. Plans for recovery and reform: The G20 framework

Despite the abundance of analyses regarding the causes and consequences of the 2008 financial crisis, there is still no document that lays the groundwork for a new worldwide economic and financial regulating system. We therefore need to fall back on a scant but consistent body of work: the G20 communiqués published between November 2008 and April 2009. These are official documents published in the wake of the summits in Washington (November 15, 2008–"Summit on financial markets and the world economy") and London (April 2, 2009–"The global plan for recovery and reform"), as well as preparatory works, annexes to the official statements and progress reports (i.e., nine documents that can be accessed on the official G20 site).[1](See Table 2)

Table 2 List of communiqués

Title	Date	Format / weight
Leaders statement the global plan for recovery and reform	London, April 2, 2009	File.pdf, 126KB
Declaration on strengthening the financial system	London, April 2, 2009	File.pdf, 141KB
Declaration on delivering resources through the international financial institutions	London, April 2, 2009	File.pdf, 92KB
Progress report on the actions of the Washington action plan	London, April 2, 2009	File.pdf, 430KB
Communiqué UK (preparation of the London Summit)	UK, 14 mars 2009	File.pdf, 30KB
Communiqué annex-restoring lending: A framework for financial repair and recovery (preparation for the London Summit)	UK, March 14, 2009	File.pdf, 25KB
Progress report on the immediate actions of the Washington action plan prepared by the UK Chair of the G20 (preparation for the London Summit)	UK, March 14, 2009	File.pdf, 24KB
Washington declaration	Washington, November 15, 2008	File.pdf, 72KB
Communiqué São Paulo, Brazil (preparation for the Washington Summit)	São Paulo, November 8-9, 2008	File.pdf, 1 118KB

In addition to these nine main texts, there are secondary references: The communiqués and comments of the summit stakeholders (in particular the IMF, the World Bank and the WTO); the G20 and European Union member states. All the documents utilised are public and accessible on the Internet sites of the concerned institutions. The texts were examined in their English version (the only version considered authoritative for the G20) except for the French communiqués and comments used in their original version. Attention was paid to the documents themselves and not to outside criticism of the conditions of their preparation. The data analyzed were coded and processed using special software.

The approach is qualitative and constructivist. Systematic analysis of the main references and an examination of the secondary references reveal the expectations for the decisions making, the general principles and purposes attached to worldwide mobilization around the financial crisis. Without interpreting political and journalistic

[1] http://www.g20.org/pub_communiques.aspx.

reactions, which would not be worthwhile in relation to the questions researched, it was impossible to find a more sophisticated methodological framework at this stage. The author believes that the research has a procedural and longitudinal dimension as well: It can be pursued throughout the G20's works which do not end–far from it–with the April 2009 summit (See Table 3).

Table 3 Research questions, theoretical references and data sought

Research questions	Theoretical reference	Data studied
How should we categorize systems for controlling existing risks or those currently being put in place?	Distinction problematization/programme/technologies applied to financial regulation (Miller, 1990), Definitions of risk (Ewald, 1991) and risk audit (Power, 2007)	Perception of the role of existing regulating systems, causes proposed in analysis of the malfunctions of the world financial system
Is the growth in regulation a factor for rigidity or flexibility in the international economic sector?	Audit and auditability society (Power, 1994), explosion of risk management (Power, 2007) role of security technologies (Foucault, 2004)	Announcement of reforms, reinforcement of existing systems or discontinuity through the creation of new security systems
How should we model the shift from risk society to audit society at a time of globalization?	Paradigm of the risk society (Beck, 1986), Risk and confidence in expert systems, modernity risk profile (Giddens, 1994)	Targeted objectives, role of audit systems in the recommended changes, purposes of the proposed measures

To summarize, and to return to the vocabulary of Hatchuel and Weil (1992), we need to examine the "substrat technique" of the measures proposed and the managerial philosophy of the system outlined.

4. Presentation of findings: Towards flexi-security

Diagrammatically, the data studied fit into three categories:

(1) Analysis of what exists: the consequences of financial modernity;

(2) Announced direction: continuity and discontinuity of security systems;

(3) Purpose of the systems: managerial philosophy which the statements underlie.

4.1 The consequences of financial modernity

The G20 leaders place the crisis in a historical perspective. This is how they refer to modern times and globalization:

> "We face the greatest challenge to the world economy in modern times (…) A global crisis requires a global solution." (*London Summit*–Point 2)

Starting from this assertion, the question posed is that of adapting financial governance to the environment of globalization. The heads of state thus acknowledge that regulation has not kept pace with financial modernity:

> "Policy-makers, regulators and supervisors, in some advanced countries, did not adequately appreciate and address the risks building up in financial markets, keep pace with financial innovation, or take into account the systemic ramifications of domestic regulatory actions." (*Washington Summit*–Point 3)

The increasing technical level of financial products in particular is targeted:

> "At the same time, weak underwriting standards, unsound risk management practices, increasingly complex and opaque financial products, and consequent excessive leverage combined to create vulnerabilities in the system." (*Washington Summit*-Point 3)

This recalls Giddens' image cited above: the crisis of economic and financial modernity is like "a race aboard a juggernaut going full speed." To explain this, it is first of all inefficiency in auditing risks that is pointed to:

> "Major failures in the financial sector and in financial regulation and supervision were fundamental causes of the

> crisis." (*London Summit*–Point 13)

As underscored by French president Nicolas Sarkozy at a press conference at the conclusion of the London Summit, "It is now official that the failure of regulation caused the financial crisis, and the financial crisis caused the economic crisis."

During preparations for the Washington Summit, in November 2008, the finance ministers ranked regulation second on the list of suggested causes, after macro-economic factors:

> "We noted that the current financial crisis is largely a result of excessive risk taking and faulty risk management practices in financial markets, inconsistent macroeconomic policies, which gave rise to domestic and external imbalances, as well as deficiencies in financial regulation and supervision in some advanced countries." (*Communiqué,* São Paulo, Brazil–Point 3)

Complexity is one of the manifestations of modernity, in particular in the case of accounting standards. So when the leaders solemnly announced their determination to reinforce the world financial system, they stressed:

> "We have agreed that accounting standard setters should take action by the end of 2009 to reduce the complexity of accounting standards for financial instruments." (*Declaration on strengthening the financial system*–April 2, 2009–Page 5)

Despite the new nature of a crisis born out of financial globalization, the Washington and London summits also take on a reflexive dimension. The mobilized states go back over past mistakes in treating the consequences of modernity, especially in the case of protectionism:

> "We will not repeat the historic mistakes of protectionism of previous eras." (*London Summit*–Point 22)

The proposals regarding international cooperation and reinforced financial regulation will therefore take on a central character in the proposals coming out of the G20 summits. It remains to be determined whether the measures proposed represent continuity or a break with existing audit systems.

4.2 Continuity and discontinuity of security systems

The independence of the regulating systems is reaffirmed, but their range of action is expanded to the international level:

> "We will support, now and in the future, candid, even-handed, and independent IMF surveillance of our economies and financial sectors." (*London Summit*–Point 12)

Indeed, analyses agree in denouncing the inadequacy of the national financial security systems:

> "We each agree to ensure our domestic regulatory systems are strong. But we also agree to establish the much greater consistency and systematic cooperation between countries, and the framework of internationally agreed high standards, that a global financial system requires."(*London Summit*–Point 14)

While the G20 leaders had taken care in Washington to note the importance of local regulators, it was to better underscore their inadequacy in dealing with the problems of the hour:

> "Regulation is first and foremost the responsibility of national regulators who constitute the first line of defense against market instability. However, our financial markets are global in scope, therefore, intensified international cooperation among regulators and strengthening of international standards, where necessary, and their consistent implementation is necessary to protect against adverse cross-border, regional and global developments affecting international financial stability." (*Washington Summit*–Point 8)

The major objectives of the regulating and oversight systems remain but, here, too, they are expanded to take into account the worldwide interaction of the operators:

> "Regulators and supervisors must protect consumers and investors support market discipline, avoid adverse impacts on other countries…." (*London Summit*–Point 14)

This raises the concept of a macro prudential oversight that would coordinate the various levels of regulation. Hence the states gradually set up an *audit of themselves and others*, to paraphrase Foucault (2008), so as to avoid systemic risks:

> "Stronger regulation is reinforced by strengthened macro-prudential oversight to prevent the build-up of systemic risk." (*UK communiqué – Preparation for the London Summit*–Point 6)

With regard to the institutional instruments of international regulation, the summit's orientation wavers between reinforcement of what exists and an overhaul of the system. In terms of what is new, the leaders agree:

> "…to establish a new Financial Stability Board (FSB) with a strengthened mandate, as a successor to the Financial Stability Forum (FSF), including all G20 countries, FSF members, Spain and the European Commission." (*London Summit*–Point 15)

But the following points stress rather the strengthening of the existing institutions' role. The IMF's role is especially upgraded (London Summit–Point 15). The same is true, to a lesser extent, for the World Bank (London Summit–Point 20) and the World Trade Organization (WTO) (London Summit–Point 22). The upgrading of the role of the international financial institutions also takes the form of allocations of additional resources (cf. Declaration on delivering resources through the international financial institutions–April 2, 2009).

The leaders of the world's main economies in fact have trouble making the connection between two fundamental objectives that are presented differently:

> "Address regulatory deficiencies" and "ensure that international financial institutions (IFIs) can provide critical support for the global economy." (*Washington Summit*–Point 5)

Discontinuity factors include reform of accounting standards. In accordance with the guidelines set in Washington, changes on this subject were announced in the March 2009 progress report:

> "IASB has published revised guidance on the application of fair value in distressed market conditions and is in the process of enhancing guidance for fair value measurement and disclosure more generally, with an exposure draft expected in the first half of 2009. … IASB has issued for consultation proposed accounting changes for consolidation of off-balance sheet entities and will finalise new standards by 2010. IASB has also accelerated its de-recognition project and expects to publish an exposure draft in the first half of 2009." (*Progress report on the immediate actions of the Washington Action*–March 14, 2009–Points 1 and 2)

In any event, reinforcement of the security systems–whether audit systems, accounting standards or the world's financial institutions–is presented by the G20 as the right policy to "prevent a crisis like this from recurring in the future" (London Summit–Point 2). But for all that, reinforcement of control, according to the declarations, does not mean giving up flexibility and the enterprising spirit.

At the point devoted to reinforcing regulation and oversight, the G20 declaration strives to keep a capacity for innovation among the objectives of the audit system:

> "… support competition and dynamism and keep pace with innovation in the marketplace" (*London Summit*–Point 14)

Likewise, the leaders commit themselves to improving their security systems without eating into their capacity for innovation:

> "We will also make regulatory regimes more effective over the economic cycle, while ensuring that regulation is efficient, does not stifle innovation, and encourages expanded trade in financial products and services." (*Washington Summit*–Point 9)

To ensure that flexibility is maintained, the declarations favour "good practices" in risk management. That is, they implicitly confirm the regulatory standards of the *Enterprise Risk Management* (ERM) type as the response best suited to the increasing dangers. This type of frame of reference seeks to reconcile enterprise performance and security policy. That in particular is the message the G20 sends to the banks:

> "Financial institutions must also bear their responsibility for the turmoil and should do their part to overcome it including by recognizing losses, improving disclosure and strengthening their governance and risk management practices." (*Washington Summit*–Point 8)

In the area of banking risk management, the G20 calls for reinforcement of the principles appearing in the Basel Accords:

> "G20 members are taking steps to implement the Basel Committee's Principles for Sound Liquidity Risk Management and Supervision in national regulatory frameworks." (*Progress report on the actions of the Washington Action*–April 2, 2009–Points 21)

Hence the methodological standards of risk management are not called into question. On the other hand, the G20 insists on the need to reinforce application of these "risk management good practices" (Washington–Point 20).

In terms of method, the announced guidelines are more like a renewal than an overhaul of the fundamental principles of the regulating system. The main focus is the globalization of risk control, much more than rewriting risk management standards and practices. In other words, the leaders want to acquire the tools to control the risks of modernity worldwide. They hope in this way to avoid calling into question all financial globalization, which according to them would bring on a return to protectionism. Here the updating of security technology is utilized to maintain the managerial philosophy.

4.3 Managerial philosophy of the official declarations

The first thing to note is that the market economy and liberalism are maintained as primary principles. It is even the defence of the foundations of capitalism that appears to justify international coordination around the crisis. When they depict the ideal economic system that should emerge after the crisis is settled, the G20 leaders put market principles first:

> "We believe that the only sure foundation for sustainable globalization and rising prosperity for all is an open world economy based on market principles, effective regulation and strong global institutions" (*London Summit*–Point 3)

International liberalism is considered an effective remedy against the risk of protectionism, which the G20's promoters fear. And so in Washington they say:

> "We underscore the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty." (*Washington Summit*–Point 13)

In the London declaration, the same objective is reaffirmed at the very start of the declaration:

> "(It's) necessary to (…) promote global trade and investment and reject protectionism." (*London Summit*–Point 4–fifth of six objectives)

In this context, the states' intervention in capital is necessarily temporary:

> "Government support should be temporary and should include well-defined exit strategies and incentives." (*Communiqué Annex-Restoring lending: a framework for financial repair and recovery*–Point 11)

The declarations therefore reveal the G20 member states' commitment to a globalized market economy, open and unrestricted. This is not just a pragmatic option, but a shared conviction, a common political philosophy:

> "Our work will be guided by a shared belief that market principles, open trade and investment regimes, and effectively regulated financial markets foster the dynamism, innovation, and entrepreneurship that are essential for economic growth, employment, and poverty reduction." (*Washington Summit*–Point 2)

There is an apparent contradiction between the desire for reinforced regulation, which assumes more regulatory and legislative pressure, and the conviction that the freedom to do business is the basis for a flourishing society. The concept of *confidence* is introduced in order to resolve this problem. Indeed, control measures are there to overcome the mistrust of investors and consumers. Economic agents' mistrust for one another is in fact considered to be the primary consequence of the financial crisis. The connection between confidence and regulation is explicit in the London declaration:

> "(It's) necessary to strengthen regulation to rebuild trust" (*London Summit* –Point 4–the third of six objectives)

But confidence is also, beyond regulation, a global objective, the first of those listed:

> "(It's) necessary to restore confidence, growth, and jobs" (*London Summit*–Point 4–the first of six objectives)

Finally, the crisis is occurring in a worldwide society in which the risks are globalized and interact with one another. That is why the G20 does not neglect mobilization for sustainable development. The financial risks do not replace environmental risks. In the contrary, the leaders affirm their desire to remain involved in this area:

> "(It's) necessary to build an inclusive, green and sustainable recovery" (*London Summit*–Point 4–the sixth and final objective)

Hence global warming, a non-financial risk, is brought up in the final part of the London declaration:

> "We reaffirm our commitment to address the threat of irreversible climate change based on the principle of common but differentiated responsibilities, and to reach agreement at the UN Climate Change conference in Copenhagen in December 2009." (*London Summit*–Point 28)

All of the G20's declarations reveal a proclaimed liberal philosophy. Reinforcement of security systems is aimed above all at restoring confidence in order to avoid calling into question the worldwide market economy. Likewise, the mention of sustainable-development objectives is aimed at avoiding a widespread challenge to the economic and ecological consequences of modernity.

5. Discussion: Toward the society of confidence

The risk-society paradigm (Beck, 1986) has often been limited to major ecological peril. Beck has thus been simplistically viewed as the thinker of Chernobyl, as Latour lamented in his preface to the French edition of *Risk Society*. The G20 leaders' analysis of the crisis shows that the relationship between risk and modernity established by Beck and then by Giddens (1994), is a relevant key to understanding the economic and financial crisis.

This allows us to formulate a paradigm of the financial-risk society in three phases (See Figure 1, Figure 2):

Phase 1: The crisis is viewed as a consequence of financial modernity associated with product sophistication;

Phase 2: To control these risks, the leaders want to reinforce the regulation and oversight systems while maintaining a flexible environment that promotes innovation.

Phase 3: This results in new international security systems that will characterize the second financial modernity.

Furthermore, the importance accorded to regulation in the guidelines of the G20 leaders' marks acceleration in the transition from risk society to the audit society envisioned by Power (2007). More specifically, this is the transformation of an environment in which we speak of risk to a secure economic environment founded on reinforced and globalized regulation and oversight. But, unless we go overboard on security, control is not an end in itself. When they link control to a restoration of confidence, the declarations of principle reveal a utopia: The hope for a society without controls or self-controlled that would in effect be the real society of confidence (Peyrefitte, 1995), which would make regulation superfluous.

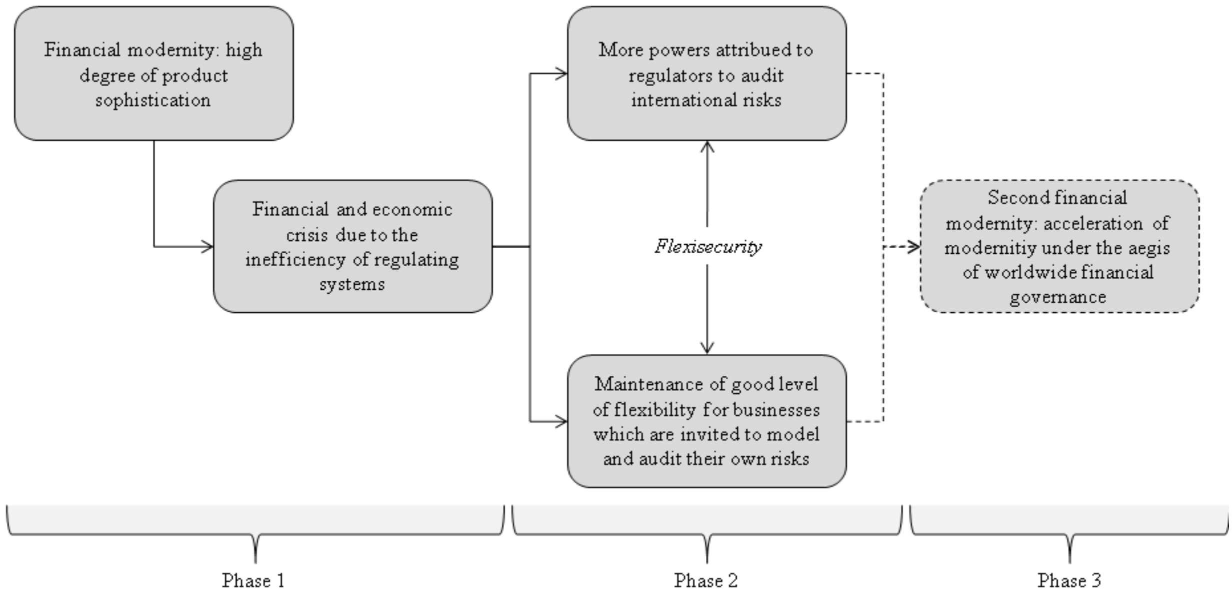

Figure 1 Paradigm of the financial-risk society

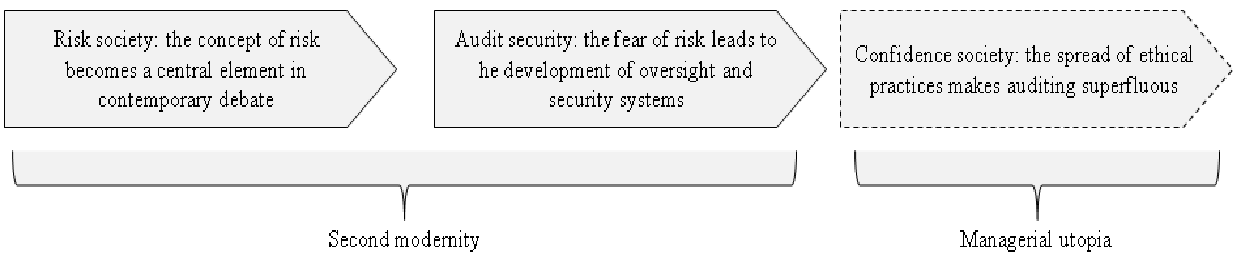

Figure 2 Toward the society of confidence

6. Conclusion

The financial crisis is in fact accelerating the transition of the risk society toward the audit society. The international financial institutions are called on to be the operators of this globalized economic security technology. The phenomenon does not occur in a deregulated environment but, on the contrary, in a context where there is a plethora of laws and regulations relating to financial security.

Even though they are limited to general guidelines or funds-allocation measures for the international financial institutions, the G20 declarations reveal a global social trend hastened along by the world's economic dysfunction.

The relative brevity of the nine official documents quite obviously limits the scientific scope of the study. In order to verify the advent of an audit society, we should for example conduct in-depth case studies on how specific regulations and oversight function. However, the G20 communiqués at least reveal explicitly the managerial philosophy that underlies the proclaimed overhaul of the world financial system. Furthermore, the Washington and London summits come at the start of a process; the complete lengthwise study would require examining the implementation of the actions called for as well as the declarations of the following summits.

Nonetheless, it seems that the declarations of main stakeholders of the world economy constitute a good introduction to the new economic and financial modernity that seeks to overhaul the market economy in order to save it from its own depravity. This produces a modern definition of liberalism that could be borrowed from Saint Paul: "Everything is permissible, but not everything is beneficial. Everything is permissible, but not everything is constructive."

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(Edited by Linda and Mary)