From the two great crises in the past, the society has realized the importance of risk management. Individual risk management has reached a significant level but the society as a whole is still going through many indeterminate dangers. Risk factors, which were clearly classified before, and differentiation are losing the trust of markets, and each policy is not able to last for a long period, in spite of governments’ efforts to alleviate the impacts of market failure. This situation causes collective evasion and shift of responsibility to be entrenched as a practice in the society and raises the uncertainty and volatility of markets. Accustomed to risk management, the current ecosystem is influenced by systemic risks, and future economic units have been started to focus on the virtual world that aims for decentralization and disintermediation, escaping from the trap generated by the society.

First of all, the controversy over the bubble related to cryptocurrency exchanges results from a lack of preparation for the virtual world that has grown rapidly far away from the real world. Surroundings of the exchange, the interface between the real and virtual world, could have been thoroughly handled in terms of customer protection and financial stability. Various safeguards, such as KYC/AML, escrow, and deposit system, should have been applied to those exchanges that were permitted as an online marketing business. Conducting fund-raising business without any permission was a predictable result but it was neglected on account of the absence of a legal basis, which consequently led to a drastic situation. This problem came from the practice of passive risk management, which made proactive measures to be meaningless.

Secondly, despite various governments’ efforts to concentrate on corporate restructuring, the scale and complexity of bad loans have been intensified as much as descendants are not able to bear them. Fraudulent accounting and political issues still have made insolvent systems not to be liquidated. The responsibility for this poor management is now attributed to general taxpayers. In spite of the existing market systems, the risks on a balance sheet are controlled separately and the reality from market analysis and political perspectives are tangled intricately.

Finally, using authentication certificates is a corrupt practice that has not been resolved yet, and it still needs a lot more time to even find a clue for its solution. Such responsibility has been one-sidedly tossed to e-commerce service providers and the exclusive system of authentication certificates shows that the restriction on competition by vested rights is currently ineradicable in the society. Meanwhile, there has been a paradigm shift toward the customer-oriented circumstance in another world. In fact, authentication system based on Blockchain technology is only discussed among relevant parties within an enclosed society which implies that open and connected financial foundation is a long way from the current environment.

Individual risk management in a fragmented environment causes the public to shift the responsibility to others, thereby missing an opportunity for the establishment of a hyper-
connected environment where new services can be generated through the integration of different industries. As shown in the best-selling book, “Who Moved My Cheese?” by Spencer Johnson, complacency has the most harmful impact on the whole society as well as oneself.

Controversies over closing cryptocurrency exchanges largely came from the fragmented responses to the interconnected risks which are yet to be fully analyzed. Unlike the interconnected dangers, risk management cannot depart from the pre-existing pattern, having only visible risks to be controlled. Despite the utmost efforts, collective risks will inevitably increase and as a result, future prospects will be worsening under the current structure of the society. It is high time to break away from this contradiction.

What are the requirements for a radical change then? Firstly, authorities need to change their traditional behavior where they often miss the appropriate time to implement necessary measures for risk management and merely wait for the reorganization of the existing regulations to eventually occur. Secondly, potential market participants, which frequently sit and wait until authorities take actions, need to form a social consensus about the future path. After all, it is everyone’s responsibility, including the general public and the politics, to develop the consensus about the future ecosystem that all members of society will be in together. Especially, the foundation of trust for such ecosystem cannot be established without consensus among its members. After the foundation is created, a responsible individual or group then would be able to manage and disperse risks. In the end, a new environment should be generated where the gap between actual danger and perceived danger narrows and new market players can enter with appropriate responsibility.

If this change is infeasible, every individual inevitably shifts the responsibility to others, making the whole ecosystem to be wretched. To prevent the tragedy of the commons, collective efforts are needed to control neglected dangers. From now on, considering the upcoming market change by the hyper-connected environment, risk management should be processed by prudent and responsible analysis of the present and future conditions. Last but not the least, we need general consensus on this issue of how to deal with endogenous externality from the network effect.