Accountancy Business and the Public Interest, Vol. 7, No. 2, 2008

Crash: Porsches and Portfolios at the End of the Road

Elton G. McGoun
William H. Dunkak Professor of Finance
Bucknell University

Janice M. Traflet
Assistant Professor of Marketing
Bucknell University

Ulrika Sjödin
Assistant Professor of Management
Stockholm University

Address correspondence to:
Elton G. McGoun
Department of Management
Bucknell University
Lewisburg, Pennsylvania 17837 USA
Phone: (570) 577-3732
Fax: (570) 577-1338
E-Mail: mcgoun@bucknell.edu

Accountancy Business and the Public Interest, Vol. 7, No. 2, 2008

Crash: Porsches and Portfolios at the End of the Road

Abstract

What is it that driving and investing have in common? Strangely enough, it is that Porsches and portfolios can both end in *crashes*, and it is no coincidence that we use the same word for both. Although we may be risk averse with respect to the routine annoyances on the roads or the routine price fluctuations in the markets, we have a fatal attraction to the mortally or financially terminal events to which driving and investing expose us. It is the possibility of a *crash*; that is, the possibility of death or ruin, that makes both driving and investing that much more exciting. Our attitudes towards risk form a peculiar duality; risk repels us AND attracts us at the same time.

Crash: Porsches and Portfolios at the End of the Road

I. Introduction

> . . . the Accident is everywhere, the elementary, irreversible figure, the banality of the anomaly of death. It is no longer at the margin, it is at the heart. It is no longer the exception to a triumphal rationality, it has become the Rule . . . .
>
> Jean Baudrillard (1994, page 113)

At 5:59 PM on Friday, September 30, 1955, the actor James Dean lost his life in the crash of his Porsche 550 Spyder at the intersection of routes 41 and 466 near Pasa Robles, California. On Tuesday, October 29, 1929 the Dow-Jones Industrial Average lost 11.73% of its value in the crash of the New York Stock Exchange at 11 Wall Street in New York City. It's not a coincidence that Porsches and portfolios can both end in *crashes*. Nor is it a coincidence that we are still mesmerized by both historical events.

Risk is not a routine consideration in driving. When we sit down behind the wheels of our automobiles, start our engines, and set out on our trips, few of us entertain thoughts of those trips not going as planned. We expect to get to where we intend to get to. Risk is, however, a routine consideration in investing. When we sit down in front of the screens of our personal computers, open our on-line trading accounts, and make our investments, most of us entertain thoughts of our investments not going as planned. We know we will not earn what we expect to earn. This is not so much of a problem, however, because finance theory and financial markets assure us that they have tamed this risk. The less likely we are to earn what we expect to earn on an investment, the more we can expect to earn on the investment in order to compensate us for the risk we face. If we find ourselves facing more risk than that with which we are comfortable, there are markets where we can sell to others as much of that risk as we want to get rid of. At least this is how is it supposed to work.

The risk of driving that most of us do not imagine when we set out on a trip is of course the risk of our lives ending in a crash. And there is a risk of investing that most of us do not imagine when we make an investment, the risk of our wealth ending in a crash. Unlike the risk described in the previous paragraph, this risk is a real problem because finance theory and financial markets have not tamed it. No investments and no markets for risk are safe in a crash. Just as there are automobile crashes that can defeat the safeguards of anti-lock brakes, anti-skid devices, seatbelts, front airbags, side airbags, safety glass, and crumple zones, there are market crashes that can defeat the safeguards of trading halts, put options, short sales, portfolio insurance, the FDIC, the FSLIC, and the NCUA.[1] If we drive, we can die, and if we invest, we can be ruined. We know it, but we don't usually think about it.

When it has happened to someone else, and we are forced to think about it, however, we do so not only with dread, but also with fascination. We can't tear ourselves away from a scene of automobile wreckage, and we devour the details of the accident in the newspapers. Likewise, we can't tear ourselves away from a scene of financial wreckage, and we devour the details of the event in the newspapers. As reluctant as we are to admit it, we are all voyeurs of physical and financial carnage. Moreover, it is the possibility of a crash; that is, the possibility of death or ruin, that makes driving and investing that much more exciting. We may be risk averse with respect to the routine annoyances on the roads or the routine price fluctuations in the markets, but we have a fatal attraction to the mortally or financially terminal events to which driving and investing expose us. These give us the thrills that keep our addictive adrenalin up—on the road and in the market.

In section II we review the literature that has blossomed following J.G. Ballard's controversial novel *Crash* (1973) concerning the seduction of destruction in driving, and we consider how it might be related to gambling. Section III links driving and investing through the word "crash," which was not applied to financial markets prior to the mass ownership of automobiles. Then in section IV, we discuss the foundations of our dualistic attitude towards risk that explains how our society is not only unable to avoid horrendous crashes, but also how it is disingenuous for us to claim that we want to. And we conclude that however much the statistical models of finance theory and marketing pitches of derivatives markets have attempted to convince us that risk can be controlled, ultimately it can not. Markets are inevitably unsafe, as are highways. And risk

[1] These are the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration, which in the United States insure consumer deposits at their respective institutions within certain financial limits.

should not be tamed. We both want and need the risk of financial ruin in markets—and corporeal ruin on highways—to be lying there waiting for us beyond our control.

II. Porsches, Casinos, and Eschatology

Contemporary Americans rarely, if ever, question the centrality of the individual in their interpretations of “independence” and “freedom” and in their “democratic” and “capitalist market” systems. Yet this “individuality” is a value, not a necessary human condition, and it may even be honored more in principle than in practice. The ability to take control of one’s own life is a core American value, and it is an end in itself, regardless of the specific form in which it is expressed. For example, public transportation may often be both a more efficient and more effective means for achieving the practical objectives of traveling, but one’s own automobile is a more desirable means. This can only be because being on the road is itself a desirable activity. It is not just getting to the destination which matters, it is the journey itself in control of one’s own destiny. This of course casts “pure driving” in a romantic light, much as it was in Kerouac’s (1954) archetypal road novel *On the Road*. What American would not be attracted by the infinite possibilities of just being in motion? It’s not necessary to get somewhere but just to be in a state in which one can easily imagine getting anywhere—wherever one chooses.

Driving has less purely romantic attractions revealed by the interesting parallels between it and gambling. There are two types of gamblers: action gamblers, who seek excitement in table games, and escape gamblers, who seek oblivion in slot machines. The same excitement and oblivion are available on the road. Regarding the excitement:

> Driving fast, it turned out, is pleasurable because it entails a risk; it entices with the sweet poison of danger. Driving is bound up not only with the feeling of rising and flying “beyond limitations,” but also with the anxious tension of having risked too much. It is precisely in this mix of anxiety and pleasure in overcoming it that the “thrill” is rooted, that tickling of the nerves that many experience at high speeds. Just as exciting as rock climbing or hang gliding, driving fast invites one to balance on the edge between power and impotence, and then to enjoy the gratification of not having crashed. (Sachs, 1992, pages 112-113)

And it is not simply placing oneself in a risky situation that is exciting. The automobile is a source of power, not only figuratively in that one can exercise greater control over one's life than with public transportation, but also literally in that one can vastly expand one's physical strength with a large machine's great speed and acceleration responding to the slightest movements of one's hands and feet. Of course this power must be displayed to others and exercised in competition with them.

> And the driver is truly in need of dynamism and strength, for only then, can he win the manifold competitions of the street. . . . Drivers therefore see themselves, whether they want to or not, as pressed into a rivalry, a competition, in which quick acceleration and an ample top speed come in handy. The point is not to be frustrated in one's own desire for speed or be hindered or taken advantage of by the intruders. Driving, in short, necessitates an egocentric perspective in which other drivers appear first of all as competitors. These competitors call on one both to strive for victory and to fear defeat; driving in the end is experienced as a series of small rebuffs and triumphs. (Ibid., page 116)

It requires little imagination to see the similarities between a crowd gathered around a craps table in a casino and a crowded ten-lane beltway around a large city. The excitement of both places has little to do with winning or losing or with getting to work in the morning or getting home at night. It lies in being a *player* in both games: picking the right lane or betting the right number; pitting oneself against the other drivers or other gamblers or the casino; ultimately pitting oneself against a fate of physical or financial death. Without tempting fate—without risking a crash—there would be no excitement.

But what about the slot machine players, who sit in a casino listening to programmed music, breathing reputedly oxygen-enhanced air, and mechanically performing the same repetitive motions over and over again for hours inserting cash and pulling a lever or pressing a button to watch three wheels spin and stop, spin and stop, spin and stop? Is this so different than motoring along a rural interstate highway on cruise control in a climate-controlled Porsche? Both are ways of in effect taking control in order to give up control; choosing to surrender one's mind, lose one's identity, escape the past, and avoid the future. (Patton, 1986) Both are forms of self-destructiveness for which a crash, again financial or physical, is a natural outcome.

Some gamble and drive for the excitement, which is enhanced by risk of a crash. Some gamble and drive for the oblivion, which can be no greater than in a crash. Driving *is* gambling, and both are ways to cope with the banality of everyday life in a land of plenty.

> In any case, an unrelenting increase in comfort creates a dilemma for the society of surfeit: because it makes available such an abundance of comfort, it must struggle against an undercurrent of discontent resulting from people's being reduced to button pushers. The twin of satiation is boredom. (Sachs, 1992, page 135)

Critics have suggested that David Cronenberg's film of the J.G. Ballard novel *Crash* is about just this.

> The film's apocalyptic spirit is profoundly secular and pessimistic, reflecting the postmodern refusal of both sacred and ideological conceptions of reality, depicting a culture totally cut off from its mythic past. *Crash* is a film about the impulses of Western consciousness toward the worship of catastrophe and self-annihilation. It is a disaster story, though with none of the frantic, panicky overtones of the usual disaster story, since the catastrophe needed to provoke revelation never comes. (Brottman and Sharret, 2001, page 203)
>
> A movie about the end of the historical road, *Crash* is set on the downward edge of the historical cycle. The film explores the contradictions of a decadent capitalist system out of control as well as the psychological consequences of this superproductive consumer society. These consequences include not only the descent into barbarism, obsession, pathology, and collective rage suggested by Adams [in *The Law of Civilization and Decay*] but also the forceful desire to tear society apart, to "throw stones at the Crystal Palace," as Dostoyevsky puts it. As a consequence, the destroyed commodity becomes part of a nostalgic reliquary for lost ritual and consensus built around shared myth and language systems. (Ibid., page 206)

Do gamblers and drivers merely want a crash to be out there as an unrealized possibility, or do we truly want to crash? In the *Psychopathology of Everyday Life*, Freud (1914) discusses at length how erroneous and accidental actions are in fact expressions of unconscious motives. At the extreme, crashes may be the result of a death wish, an expression of the unconscious instinct of aggression and self-destruction. (Freud, 1961) Regardless of whether we consciously or unconsciously want to crash ourselves, though, we are undeniably fascinated by the crashes of others, especially the crashes of celebrities.

> Automobile crashes involving "royal" or celebrity classes always attract an enormous amount of attention because they allow a voyeuristic public to indulge two different but parallel impulses. The first of these is the sentimental need for communal grief over the loss of a culture's "best and brightest"; the second is an equally compelling desire to see the powerful and privileged karmically brought down by their own incestuous foibles in a cleansing and apocalyptic comeuppance. This second impulse feeds on the natural confusion and unresolved questions surrounding any tragic event, and invariable cooks up a heady broth of folklore, paranoid innuendo, unsubstantiated rumor, sexual fetishism, political intrigue, official malfeasance, xenophobia, and class prejudice. (Simpson, 2001, page 124)
>
> Celebrity crashes figuratively acquire an almost religious significance.
>
> How tempting and exciting it is to see the celebrity car crash as iconic—as ritual sacrifice, perhaps, or obscure triumph; an exercise in hermetic synchronicity or harbinger of a new age. When the automobile suddenly becomes a coffin, how befitting it is to see a cryptic revelation reflected in the shattered windshield. Are wrecked cars hieroglyphs, transitional objects that forge a link between the sensible world of logic and the unknowable realm of the occult? Or are they just chunks of bloodied metal littering the road for a while? (Brottman, 2001a, pages xxiv-xxv)

And celebrity crashes may even have a *literally* religious significance:

> But the car crashes that truly parallel the original role of the crucifixion are those whose victims complement the simultaneously mundane and dramatic means of their death with a life that is concurrently both human and divine. The celebrity car crash offers exactly this in an age when celebrities have their likenesses reproduced as icons for worship, present as posters in nearly every dorm room and as plastic effigies in every toy

> store. Television offers hours of worship at regular intervals, like the matins and vespers of old. (Darius, 2001, page 308)

> Movie theaters are the new churches, in whose pews we observe a respectful silence, broken only by occasional gasps of shock or sounds of sympathy, providing a liturgical response at preordained places in the sermon. Here we experience mass religious ecstasy, identifying with people and places not physically present. Here we receive an audiovisual sermon that transmutes a dead canvas into a living world we believe to be real—a sermon whose ultimate message is the perpetuation of the cult of celebrity. (Ibid., page 309)

It is all too easy to see the fascination with car crashes as a perversion, but it is not. There is a reason that a death—the crucifixion—is the central event in Christianity. Through it, Christians confront their own mortality and resolve their own conflicts with life and inevitable death. The fatal car crashes of others, less significant but more immediate, function similarly.

> It is very important to remember, however, that the fascination with car crashes to which this volume attests—ghoulish though it may seem—is essentially an attempt to confront some very deep-seated fears and anxieties. I believe there is a quasi-spiritual component to this compulsion to immerse ourselves in the etiology of the car crash and the rituals of sacrifice surrounding it—a compulsion that is resonant of some very archaic religious practices, including the worship of magic talismans and the collecting of relics. If nothing else, the need to give the accident some kind of order—to make art out of violent death—is itself perhaps no more than a superstitious need to assert (or to feign) control over the uncontrollable. (Brottman, 2001a, page xxxviii)

In *Beyond the Pleasure Principle*, Freud (1955) explains how we can master an unpleasant event through repetitive experience of it, thereby yielding pleasure of another sort from it. Repetitive exposure to crashes in the media—newspapers, films, and videogames in particular—performs two functions. One is to destroy the power death has over us.

> To sit through a series of violent car crashes [on film], one after another after another, is a way of integrating the trauma into a psychic economy, thereby attaining some level of mastery over it. In other words, repetition of the trauma produces two conflicting attitudes toward death: that which

> acknowledges it as traumatic and that which denies its power to harm. . . . Accidents repeated over and over again stop looking like accidents and start to seem repetitive, automatic, deliberate, and technological. (Brottman, 2001b, page 241)

The other is to deny the unconscious feeling of guilt we have as survivor.

> Negative magic is a response to the superstitious guilty implication that the observer may feel in relation to an accident—that, as a spectator, we have dictated the event or even indirectly caused it. This exaggerated and compulsive expression of the observer's own conscience can be countered only by a repetition of the traumatic event, leading to a reaction formation. The accident is repeated in order to magically undo what has been done. (Ibid., page 241)

We usually refer to automobile "crashes" as "accidents," but this may be a way to deceive ourselves as to the necessity of death and perhaps even the unconscious desirability of death or at least the risk of death. (Freud, 1963) In short, to a greater degree than we are likely to be aware, accidents are not *accidents*. And we certainly cannot regard accidents as simply *accidents* when Accidents are the Rule, as Baudrillard claims in the introductory quotation to this paper.

The first part of this section argued that putting ourselves at risk of an automobile crash is a source of psychological gratification, as is putting ourselves at risk of a financial crash in the form of gambling. And while we may not admit it, we know that others must die in automobile crashes or lose all of their money in gambling binges to verify for ourselves that that risk is real. The second part of this section argued that the deaths of others, especially celebrities, in automobile crashes serve an eschatological purpose. But do market crashes perform these same functions? Combining the connection this section has made between driving and gambling with the familiar connection between gambling and investing, the answer is likely to be in the affirmative. It is no coincidence that both automobiles and markets "crash."

III. Branding October 1929 as "The Great Crash"

"Like 1066, 1776, and 1914, it [1929] is a year that everyone remembers," economist John Kenneth Galbraith once famously observed. (Galbraith, page 11) It is branded in national memory, of course, as the year of the "Great Crash." Before 1929, notable stock market crises had occurred, like in 1907 and 1914. But October 1929 marked the first time that a financial "panic" or "collapse" became widely and predominantly referred to as a "crash." Since then, many stock market "crashes" have occurred, like in 1987 and 2001, but 1929 retains the dubious honor of being the only market crash in U.S. history to be labeled as "great." How and why did the market collapse that began in October 1929 become imprinted in the national consciousness as the legendary "Great Crash"?

At first glance, the answer appears obvious: the magnitude of the decline in the Dow Jones Industrial Average (DJIA) was unprecedented, as was the trading volume. From October 23rd through October 31st, 1929, the DJIA fell a total of 53 points, from 326.51 to 273.51. During those same eight days, a total of 70.8 million shares were traded – a record. (Klein, page xiii) To describe an event so devastating and so unique, perhaps observers immediately felt that a different term was needed to distinguish it from prior episodic stock market troubles. In fact, though, the term "Great Crash" was not immediately used in any widespread, systematic way. When, then, did the word "crash" become the term of choice to describe what had happened? And why was the particular word "crash" chosen and not some other moniker?

First gaining currency in the late 1500s, the term "crash" originally, and still predominantly, refers to a "loud and sudden sound as of a hard body or number of bodies broken by violent percussion, as by being dashed to the ground or against each other; also transferred to the sound of thunder, loud music, etc." (www.oed.com). More relevant to this discussion, the term "crash" also came to connote financial loss, as in "the action of falling to ruin suddenly and violently; spec. sudden collapse or failure of a financial undertaking..." (www.oed.com)

Perhaps surprisingly, this secondary definition first came into use in the 1800s, not the 1920s. For example, warning against speculation in Uruguay and Argentina in

1890, the *Spectator* magazine in July of that year observed, “A great crash is expected in South America.” (www.oed.com) In 1929, therefore, it would not have been novel to refer to the current stock market collapse as a crash. But it would have been unusual, as “panic” and, to a lesser degree, “collapse” were more commonly used.

In the early 1900s, the word “collapse” was losing favor to the term “panic.” According to the prevailing rationale, “panic” had a more ephemeral and hence more positive connotation than “collapse.” (A collapse purportedly conjured a permanent drop in the market; a panic, a fleeting bad period from which the market ultimately would recover). Therefore, when stock prices dropped in 1907, the word financial “panic” was consciously used by Wall Streeters, ironically, for the precise reason of avoiding or at least minimizing the possibility of investor “panic.”

The stock market recovered from the 1907 tempest, and later in 1920-1921, also recovered from another set of major downswings. By the mid 1920s, equities were enjoying a boom that historian Frederick Lewis Allen famously dubbed the “Seven Fat Years” (1923-1929). (See Allen, Chapter 8). Propelling, in part, this new bull market were new technologies and manufacturing methods, which spawned the growth of the automobile as well as other industries. During the 1920s, annual automobile production in the United States more than doubled, rising from 2 million cars to 5.5 million cars. With Ford, Durant, General Motors, and other auto companies increasing their efficiencies and passing along some of their savings to customers, one in five American adults owned an automobile by 1929.
(http://us.history.wisc.edu/hist102/lectures/lecture15.html)

Just as automobiles were entering the mainstream, so, too, was the stock market. The 1920s is often remembered as the era when “everyone was in the market.” In truth, not everyone was in the market then (just as not everyone owned a car). At the height of the boom in 1929, only approximately 1.5 million Americans owned stock, out of a total national population of 126 million adults. (Fletcher Report, page 9) Millions more Americans owned cars than stocks. Yet stocks, like automobiles, were dominating popular consciousness: people were talking and thinking about the market, even if they were not actively involved as investors. As John Kenneth Galbraith wisely observed, “The striking thing about the stock market speculation of 1929 was not the massiveness of the participation. Rather it was the way it became central to the culture." (Galbraith, page 83)

Is it coincident that both stocks and automobiles were becoming popular at the same time, or were the trends mutually reinforcing? Arguably, it was the latter. Many automobile companies, like General Motors, Chrysler, Hudson Motors, and Packard, were among the hot stocks of the 1920s. The potentially enormous prospects offered by the rapidly evolving automobile industry contributed to the excitement propelling the bull market.

In other important ways, the securities industry and the automobile industry paralleled each other. One notable factor underlying escalating car sales was the new ability for customers to buy on credit. Similarly, on Wall Street, many new entrants in the market (particularly from the middle class) purchased their stock on margin, and the amount of money required as a down payment steadily decreased during the course of the decade. By the end of the 1920s, it was not uncommon to purchase stock on close to 100% margin (with almost no money down).

Of course, buying on margin was a risky strategy. But like driving cars, investing offered thrills (and possibly great rewards). Moreover, a growing optimism marking popular culture in the 1920s made risk-taking in many forms somehow seem, well, less risky. As historian Maury Klein notes, daredevil feats constantly punctuated the newspaper headlines during this period. This was the time of bold aviators like Charles Lindbergh, daring rocket-makers like Charles Goddard, and forward-thinking skyscraper architects like William Van Allen (of Chrysler Building fame). In increasingly popular amusement parks, roller coasters were reaching unprecedented speeds. The old rules—and the old limitations—seemed no longer to apply. (Klein, page 3)

With the plummet of the DJIA beginning in October 1929, however, the bubble of optimism burst….not in one great pop, but rather, in one prolonged hiss. By October 31st, the DJIA had fallen to 273.51, but this was not the lowest point. Not until November 13, 1929 did the DJIA finally reach bottom, at 198.69. (Klein, page xiii) The Great Crash therefore was not one solitary "Black" day, but actually a three-week catastrophic drop in stock prices. If a crash is generically defined as something "loud and sudden," certainly the Great Crash was loud, but it was not really sudden.

To many startled Wall Streeters, the start of the Great Crash on Black Tuesday seemed sudden. Yet a vocal minority, like statistician Roger Babson, had been predicting a crash for several months. Even President Herbert Hoover, as early as 1928, repeatedly had expressed his concern that the high level of stock prices might be unsustainable. Yet the events of October 1929 still came as a shock to those legions of investors who had come to believe in unending prosperity, in the idea that the old cycle of boom and bust no longer applied in the New Era.

On Black Thursday, October 24th, 1929, the stock market saga dominated newspaper headlines across the country. Typically, the headlines used the word “panic” to describe the day’s events, not “crash” (although in the text of the articles, the term “crash” was often used). *The Sun*, a popular New York City newspaper, declared, “Bankers Check Stock Market Panic in 13 Million Share Trading Session.” (page 1) Among the smaller headlines of the front page that day was “General Motors Earnings Drop”—again revealing the intimate connection between the fate of the securities industry and that of the automobile sector. Yet another front-page headline from the same paper announced “Like Panic Days of Other Years,” with the subheading, “Wall Street Sees Its Greatest Crisis Since the War Broke Out in 1914.” Similarly phrased headlines appeared in *The Wall Street Journal*, *New York Times*, and other leading national newspapers.

No one could foresee the future—that the stock market would continue to plunge. The early consensus on Wall Street, reinforced and reflected by the media, was that Black Thursday was a “panic” and one that, like other panics, soon would end. In part, the belief in the transitory nature of market trouble stemmed from widespread faith, on Wall Street and Main Street, that the nation’s leading bankers would provide some type of organized support to rally the market and stop the slide.

The next day, October 25th, newspapers reported that several stocks had begun to stabilize and some, show gains. The tone of the front pages uniformly was reassuring, as newspapers dutifully reported Hoover’s comments that the country was on a “sound basis.” Once again, the word “crash” appeared selectively in not the leading page one headline, but in other ancillary headlines.

On the opinion page of the *New York Sun* on October 25th, one headline referred to "A Speculator's Crash." The writer insisted:

> The depression in Wall Street will affect general prosperity only to the extent that the individual buying power of some stock speculators is impaired. No Iowa farmer will tear up his mail order blank because Sears-Roebuck stock slumped. No Manhattan housewife took the kettle off the kitchen stove because Consolidated Gas went down to 109. Nobody put his car up for the winter because General Motors sold 40 points below the year's high. So long as American industry is on a sound basis we shall have prosperity. ("A Speculator's Crash," page 30)

In other words, in the mind of the writer (and many other Americans), the events of Black Thursday wiped out the gamblers in the market, those "speculators" who were operating largely on margin. But, for long-term investors and for average Americans uninvested in the market, Black Thursday presumably would be inconsequential in the long-term because stocks would return to normal and the economy would be unaffected. For this group, Black Thursday was a "panic," something temporary and not long-lasting. For margin-laden speculators, Black Thursday was a "crash," something from which they would not recover. "Crash" thus carried a moral undertone—crashes were, by their nature, avoidable; panics were not.

We see clearly now here the semblance between celebrity automobile crashes and the first stock market "crash". "The powerful and privileged" had indeed been "karmically brought down by their own incestuous foibles" that had for years been the subjects of voyeuristic interest for the public. Their stock market losses were the "cleansing and apocalyptic comeuppance" they deserved. This distinction that a "crash" only damaged the risk-taking gamblers in the market, however, quickly evaporated. The second major drop in the market, on Monday, October 28th, 1929 (Black Monday), in a sense jarred the nation more than the first. The first drop could be perceived as a fleeting "panic," but this subsequent development now seemed to be part of something new—a sustained trend, perhaps from which the market might not so easily or quickly recover. Reflecting this growing pessimism, a majority of headlines on page 1 of the evening papers on October 28th announced—for the first time en masse—“Stocks Crash...” (See New York Times, 10/28/29, page 1)

From Black Monday (October 28th) onward, the word “crash” not “panic” or “crisis” came to epitomize the stock market calamity that had begun on Black Thursday (October 24th). Loud and violent, the Crash reverberated throughout American society, eventually becoming perceived as the harbinger of the Great Depression. In fact, the Great Depression actually began before the Crash, and the shaky state of the economy was a factor causing the stock market collapse, not the other way around. (See Roimer, page 597) But the prolonged and well-reported drop in the Dow made a spectacular impression in the American mind. And, as the Depression began to fasten itself upon the nation in the early 1930s, many people began to associate (erroneously) the start of the Depression with the onset of the Crash. Thus, in popular memory, what had become the “Crash” of 1929 then became the “Great Crash,” as the recession became the Great Depression.

The first section of this paper described the psychological connection between motoring and gambling/investing. This section has described the parallel expansions of the financial industry and the automobile industry in the 1920s and suggested that their simultaneous growth might have been driven in some measure by the similar psychological gratifications of motoring and gambling/investing. The first section offered a prospective explanation why we as individuals have such a fascination with automobile crashes, especially celebrity automobile crashes. This section showed there to have been a similar sort of fascination, at least at first, with the “Great Crash” of 1929, the first financial event to have been widely referred to as a “crash.” Are there social reasons, though, for our peculiar attraction to crashes, both automotive and financial, beyond the *schadenfreude* we might personally feel at, or the eschatological lessons we might personally find in, the misfortunes of others? Are our societal attempts to create “safe” highways and markets as opposed to “dangerous” ones not only futile but disingenuous?

IV. From OR to AND

"Dualism" is the Western view which sees clear-cut ontological differences between all phenomena in the world. It means dividing and categorizing things into either this OR that: investing OR gambling, traveling OR cruising, safe OR dangerous, rational OR irrational, riskless OR risky, alive OR dead, solvent OR insolvent etc. It is the differences that matter, and phenomena are essentially distinguished and valued on the basis of what they are not. These distinctions are often given a moral dimension. "Investing," "traveling," "rational," "safe," "riskless," "alive," and "solvent" are good, whereas "gambling," "cruising," "dangerous," "risky," "dead," and "insolvent" are bad. We are expected to desire the former and reject the latter. We are expected to be investors and not gamblers, putting our money in the market for our retirement and not for the excitement of beating the market or losing it all. We are expected to be travelers and not cruisers, putting our automobiles on the road for getting from one place to another and not for beating the other drivers or losing it all. Scientific thinking is general is built upon this world view. Something *is* OR *isn't* true OR false, and the truth is unambiguously defined as that which *is*. Dualism is the heart of the so-called "laws" of non-contradiction or the excluded third. (Von Wright, 1993/1957)

From a scientific standpoint, a serious crack appeared in this view with the replacement of classical mechanics by quantum mechanics. Light, which had been described as a particle OR a wave, proved to be better described as simultaneously a particle AND a wave. (Plotinitsky, 1994) Dualism was replaced by a duality within which apparently contradictory elements coexist in one nuanced whole. (Deleuze and Guattari, 2000). Extending this view to the concerns of this paper, if traveling and cruising constitute a duality, then you do not have to be a traveler OR a cruiser, you just get in your automobile for the destination AND for the ride. If investing and gambling constitute a duality, then you do not have to be an investor OR a gambler, you just put your money in the market for the return AND for the risk. In driving and investing, people do not act rationally, proceed safely, avoid risk, and remain alive or solvent OR act irrationally, proceed dangerously, embrace risk, and wind up dead or insolvent. They act rationally AND irrationally, proceed safely AND dangerously, and most importantly avoid risk AND embrace risk. They implicitly acknowledge all possible outcomes: alive AND dead and solvent AND insolvent.

Putting it more directly, we want there to be risks, without which we would not deserve to earn returns and without which investing would not be such a thrill. At the same time, we want someone else to provide the proof that these risks are real. We want to make those risky, irrational decisions that we imagine will lead to the big scores that serve our prudent, rational objective of growing our retirement savings. Financial markets currently thrive on this duality. They are promoted as efficient institutions for reliable returns from long-term investment, but without a steady supply of short-term price volatility, there would be insufficient profitability to induce professionals to make the markets. Without gamblers, there couldn't be investors, because turbulent markets are liquid markets. (Keynes, 1964) The true "risk" of markets is not so much price volatility but the opposite; the possibility of there being no price movements from which to earn a profit and no price movements to lure the traders who might want to buy what we want to sell. Price movement is the attraction of these markets; risk is their product. (Bay, 1998)

Financial markets have the problematically dual nature of creating both risk and risklessness. Where could the risks have come from that they intend to dispose of other than from themselves? If the risks were external, there would be no way to dispose of them. In effect, they claim to eliminate the possibility of crashes, which possibility they are responsible for in the first place. Building a highway likewise enables crashes while claiming to minimize, if not eliminate, them. Safety and danger are simultaneously generated by the same acts of market construction and highway construction. It is futile to want what might result in crashes without getting the crashes themselves. It is also disingenuous. We have designed markets aimed at unsettling prices as much as they fix them—markets for instability and risks (and highways aimed at putting our lives in danger—highways for accidents).

The public "pitch" of financial derivatives markets is that they enable risk to be efficiently transferred from those who are dealt more of it by nature than they are willing to bear to those who are willing to take it on for a fee. Because of the peculiarities of the Black-Scholes Option Pricing Model, traders in options markets talk literally in terms of trading something called "volatility." The public "pitch" of highway construction is that newer, wider, better-engineered highways increase traffic safety, more efficiently transferring motorists from one place to another. Consistent with dualistic thought, we can have a riskless economy OR a risky economy and safe highways OR dangerous highways, and we've publicly come down firmly on the side of the former in both cases.

The unacknowledged reality of both financial markets and highways is that they are not examples of *dualism* but are in fact both *duals*. Financial markets create the risks that they claim to eliminate, or at least to reallocate. The more instruments there are and the more liquid they are, the more traders trade and the more prices move. And the more prices move, the more traders trade to profit from those movements. Likewise, highways create the dangers that they claim to reduce. The more lanes there are, the more drivers drive and the faster they drive. The more drivers drive, the more highways are constructed. The lure is riskless investment and safe transportation, but the catch is risky investment and dangerous transportation.

Forced to confront the dual nature of markets and highways, we can always fall back on the old bromide that you have to take the bad with the good, an expression of a dual as a moralistic dualism if there ever was one. The embarrassing truth is that we *want* to take the bad with the good, in fact, the situation might more accurately be described as our having to take the good with the bad. What we publicly call "bad" is in fact our secret "good." We crave the thrills and we crave the dangers of markets and highways. When we invest and when we drive we secretly want to place our financial and corporeal lives on the line. We want to risk crashes. When someone does crash, we are morbidly fascinated. We imagine that it *could have been* us; we imagine that it *will be* us. We imagine that *they* deserved it (especially those whose lives we imagine as having been more fortunate than our own); we imagine that *we* deserve it.

In the 1920s, there were more cars, and they moved faster on broader highways. There was more money, and it moved faster on broader markets. As more cars moved faster, more crashed, and in 1929 as more money moved faster, the stock market didn't just "panic" or "collapse," it "crashed" along with the cars. Since then, the numbers of cars and highways and the numbers of investors and markets have continued to grow; motorists, investors, and markets have kept crashing; and we've kept ourselves glued to our newspapers and television screens, avidly devouring the details that the media are more than happy to provide. We may all end in crashes at the ends of our roads, but crashes have no end.

Bibliography

"A Speculator's Crash." *New York Sun*. Friday, 10/25/29, p. 30.

Allen, Frederick Lewis. *Lords of Creation*. Chicago: Quadrangle Paperbacks, 1935.

Ballard, J.G., *Crash*, (New York: Farrar, Straus, and Giroux, 1973).

"Bankers Check Stock Market Panic in 13 Million Share Trading Session," *New York Sun*. Thursday, 10/24/29, p. 1.

Bates, Catherine, 1999, *Play In A Godless World. The Theory and Practice of Play in Shakespear, Nietzsche and Freud*, Open Gate Press, London.

Baudrillard, Jean, *Simulacra and Simulation*, (Ann Arbor, Michigan: The University of Michigan Press, 1994).

Bay, Thomas, 1998, *And… and… and… Reiteration Financial Derivation*, dissertation at School of Business, Stockholm University.

Brottman, Mikita, "Introduction," in *Car Crash Culture*, ed. Mikita Brottman, (New York: Palgrave, 2001a), pages xi-xliii.

Brottman, Mikita, "Signal 30," in *Car Crash Culture*, ed. Mikita Brottman, (New York: Palgrave, 2001b), pages 231-243.

Brottman, Mikita, and Christopher Sharret, "The End of the Road," in *Car Crash Culture*, ed. Mikita Brottman, (New York: Palgrave, 2001), pages 199-213.

Darius, Julian, "Car Crash Crucifixion Culture," in *Car Crash Culture*, ed. Mikita Brottman, (New York: Palgrave, 2001), pages 305-317.

Deleuze, Gilles & Félix, Guattari, 2000/1977, *anti-oedipus – capitalism and schizofrenia*, translated by Robert Hurley, Mark Seem and Helen R. Lane, University of Minnesota Press.

"Fletcher Report." Fletcher Committee. U.S. Congress Senate, *Committee on Banking and Currency, Report of the Committee on Banking and Currency*. Washington: GPO, 1934.

Freud, Sigmund, *Psychopathology of Everyday Life*, (London: Ernest Benn Limited, 1914).

Freud, Sigmund, "Beyond the Pleasure Principle," in *The Standard Edition of the Complete Works of Sigmund Freud, Volume XVIII*, ed. James Strachey, (London: The Hogarth Press and the Institute of Psychoanalysis, 1955), pages 7-64.

Freud, Sigmund, *Civilization and Its Discontents*, (New York: W.W. Norton & Company, 1961).

Freud, Sigmund, *Character and Culture*, (New York: Collier Books, 1963).

Galbraith, John Kenneth. *The Great Crash. 1929*. London: Hamish Hamilton, 1955.

http://www.oed.com, accessed 2/25/06. ("Crash" definition and etymology).

http://us.history.wisc.edu/hist102/lectures/lecture15.html, accessed 2/25/06.

Kerouac, Jack, *On the Road*, (New York: The Viking Press , 1979).

Klein, Maury Klein. *Rainbow's End: The Crash of 1929*. New York: Oxford University Press, 2001.

Patton, Phil, *Open Road: A Celebration of the American Highway*, (New York: Simon & Schuster, Inc., 1986).

Plotnitsky, Arkady, *Complementarity: Anti-Epistemology after Bohr and Derrida*, (Durham, North Carolina: Duke University Press, 1994).

Romer, Christina D. "The Great Crash and the Onset of the Great Depression." *Quarterly Journal of Economics*, Vol. 105, No. 3, (Aug., 1990), p. 597-624.

Sachs, Wolfgang, *For Love of the Automobile: Looking Back Into the History of Our Desires*, (Berkeley, California: University of California Press, 1992).

Simpson, Philip L., "Car Crash Cover-Ups," in *Car Crash Culture*, ed. Mikita Brottman, (New York: Palgrave, 2001), pages 123-141.

"Stocks Crash in Torrent of Selling." *New York Times*, Sunday, Monday, 10/28/29, p. 1.

von Wright, George, Henrik, 1993/1965/1957, Logik, filosofi och språk. Strömningar och gestalter i modern filosofi, Nya Doxa.