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Blood on the Trading Floor: Waste, Sacrifice, and Death in Financial Crises

Paul Crosthwaite

Financial crises are the signal events of our time. Globally disseminated via an advanced technological architecture; generated by the actions of disparate agents arrayed across sprawling, anonymous networks; abstract, immaterial, and digitized; intensified by hysterical media coverage; and marking a critical conjuncture between the mundane rhythms of everyday life and the most mysterious and inscrutable dimensions of the contemporary world-system, financial panics and crashes distil those phenomena most often identified as characterizing the present, whether that present is aligned with globalization, postmodernity, second or late modernity, risk society, or any of a range of other designations. That the rise of finance capital to a position of dominance in the global economy – and the instabilities that this shift has brought with it – might, and indeed must, be addressed by cultural criticism was forcefully argued by Fredric Jameson in an important essay of 1997. Here, Jameson looked back to the “stock market frenzies of the eighties” (of which the speculative mania that culminated in the Black Monday crash of 19 October 1987 is the most notorious example), and concluded by claiming that “the total flow of the circuits of financial speculation” (like the “narrativized image-fragments of a stereotypical postmodern language” identified as their cultural correlate) were steering “unwittingly towards a crash.”¹ Over the last decade, Black Monday has been succeeded by a series of seismic financial upheavals that lend Jameson’s words a prescient air. Chief amongst these are the currency and stock market collapses suffered by the “tiger economies” of Southeast Asia in 1997-98; the turmoil on world markets that followed Russia’s currency devaluation and debt default in 1998, and which, amongst

other casualties, engulfed the massive US hedge fund Long-Term Capital Management; the bursting of the new technology or “dot-com” bubble in the spring of 2000; and, beginning in the summer of 2007, the shuddering “crunch” suffered by a whole new field of financial engineering made possible by unsustainable liquidity in real estate and other markets.

The major financial crises of the last two decades varied considerably in their geographical locations of origin, the particular financial instruments on which they centred, and the extent of their effects on the so-called real economy of commodity production and consumption. All, however, posed very significant threats to the stability of, at least, the world financial system (as well as, in some cases, the global economy as a whole). They all, too, unfolded according to a familiar pattern (which is, indeed, common to crashes extending back to the Dutch tulip mania of the seventeenth century, if not beyond): that is, they occurred when large numbers of people began to sell assets (whether these be shares, government bonds, foreign currencies, securitized debts, or one of the myriad array of options, futures, and other derivatives based on these instruments), which flooded markets and pushed down prices, leading more people to sell, further depreciating prices – and so on, each wave of selling exacerbating and perpetuating the downturn. The figures that circulated through the media in the wake of these crises were inconceivably vast: £50 billion (US\$83 billion) lost on the London Stock Exchange on 19 October 1987; US\$225 billion of share values wiped off the main index of the Kuala Lumpur Stock Exchange between July 1997 and January 1998; US\$2.4 trillion of shareholder wealth vaporized in a single week on Wall Street in October 2008; US\$30.1 trillion of global stock market value written off over the course of 2008.

The kind of critical approach to finance capital pioneered by Jameson is all the more urgently required today, not only because of the scale and frequency of recent market convulsions, their ubiquity in the mass media, and their growing visibility in literature, art,

and popular culture, but also because mainstream economics displays key lacunae in its theorizations of these events that critical and cultural theory is uniquely well placed to address. In this essay, I range between popular fiction narratives of financial turmoil, psychoanalysis, and some highly heterodox strands of twentieth-century economic thought in order to piece together a theory of financial catastrophe that the prevailing paradigm in the discipline of economics cannot so much as contemplate: that for its participants and spectators alike, the crash is not simply an object of fear or anxiety, or even of mere fascination, but also of an inchoate but urgent *desire*.

The dominant movement in contemporary financial economics – the neoclassical school – is constrained in its conceptualization of sharp and sustained market downturns by two of its guiding principles. The first is its adherence to the idealized model of the human subject known as *homo economicus*, a being that is always conscious of its preferences and capable of rationally selecting and single-mindedly pursuing the course of action most likely to maximize its “utility” (the satisfaction it derives from the acquisition of goods or services) in any given circumstance. The second is its endorsement of the theory of efficient markets, the idea that market participants, exercising their rational self-interest, will immediately act on any piece of information that bears on the prices of financial assets, with the result that prices always reflect all available information. Because new information is, by definition, unknown until it transpires, the price movements that result from this information are effectively random; and because new information that tends towards positive price movements will be inevitably reined in by information that augurs negative movements, and *vice versa* (and, furthermore, because investors will not respond uniformly to news, but may interpret it in conflicting ways), price fluctuations should deviate only marginally above or below a neutral point. The extent of these deviations is likely to increase in proportion to time (that is, progressively larger deviations would be expected at the scale of a minute, an hour, a

day, a month, a year, and so on), but the hypothesis rules out fluctuations of the speed and magnitude of those witnessed in the major market crashes of recent decades. Even according to an adapted version of this theory, the 22.6% fall on the Dow Jones Industrial Average on Black Monday, 1987, for example, would correspond to one event in 520 million years.²

One key problem with mainstream financial economics, then, is that its models tend to significantly underestimate the probability of large market downturns. In recent years, scholars in other branches of economics, as well as in disciplines such as sociology, anthropology, politics, and cultural studies, have contested many aspects of the neoclassical approach to financial crises.³ Much work has focused on demonstrating the limitations of positing market participants as rational, self-possessed, autonomous actors. Studies of financial traders at work, for example, have indicated that, rather than continually enacting a set of rigorous, calculated mental procedures, their trades often arise from a more nebulous condition of instinct, intuition, feel, or flow.⁴ Similarly, the burgeoning field of behavioural finance has assembled copious evidence that, even in simple financial exercises, individuals often permit biases, cognitive errors, emotions, and the influence of other participants to shape their actions in ways that are at odds with strict rational self-interest.⁵ Particular attention has been directed towards the phenomenon of “herding,” in the more extreme forms of which large numbers of individuals take the same action in the market purely because others have done so, thus rapidly propelling prices up or down.⁶ This form of behaviour points to a further flaw in the efficient market hypothesis: not only does the theory underestimate the potential extent of price fluctuations, but it also assumes that any significant movements that do occur will result from actors responding to new information pertaining to the value of assets, whereas they may simply be reacting unreflectively to the actions of others – liquidating their holdings of an asset, for example, because they can see large volumes of sales occurring elsewhere.⁷ In the case of several major financial crises of

recent decades, including Black Monday in 1987, the 2000 dot-com crash, and the “credit crunch” that began in 2007, there is little evidence that the downturns were triggered by important breaking news; rather, they appear to have occurred spontaneously, driven by dynamics internal to the markets themselves. Even in cases where a causal event seems readily apparent, such as the global crisis of 1998, which is widely attributed to economic and political turmoil in Russia, it may be that the “crash [occurred] because the market [had] entered an unstable phase and any small disturbance or process may have triggered the instability.”⁸

This essay attempts to build on and radicalize these challenges to the hegemony of neoclassical financial economics. For although these new research fields break important ground in demonstrating the fictitiousness of the purely rational, calculating financial entity, who acts invariably on the basis of the judicious analysis of emerging information, they nonetheless assume the governing objective of market actors to be the satisfaction derived from the maximization of wealth, which is simply curbed, in practice, by the existence of certain basic human frailties and fallibilities. The sheer extremity of recent market convulsions requires us to question this unwavering assumption, but in order to move forward in this way it is necessary to go back – back to a still underexplored strand of mid-to-late twentieth-century economic thought, one most closely associated with the French theorists Georges Bataille, Jean Baudrillard, and Jean-François Lyotard, and termed, after the latter’s most significant contribution, “libidinal economy.”⁹ There, *in potentia*, waiting to be unearthed, we find the components of a profoundly different theory of financial crises. The provocative conclusion that arises from their work, I will argue, is that contemporary financial markets betray, in tension with their manifest urge towards profit and growth, a countervailing tendency – which is simultaneously structural and libidinal – towards waste,

expenditure, and consumption: a “death drive” that culminates in the mingled despair and euphoria of the crash.

The Thrill of Expenditure

I wish to begin, however, by considering what would appear, on the face of it, to be more customary objects for criticism: some contemporary novels, specifically some works of popular fiction known as “financial thrillers.” Though forerunners of the form can be traced back to the early 1970s, the financial thriller emerged as a distinct sub-genre in the mid- to late 1990s.¹⁰ In broad terms, then, it is a product of the rapid financialization of the global economy that resulted from the collapse of the Bretton Woods system of fixed exchange rates in 1973 and the policies of financial deregulation pursued over subsequent decades; more precisely, financial thrillers are expressions of the climate of extraordinary volatility in financial markets witnessed over the last ten to fifteen years. Consistent with the continued hegemony of the City of London, Wall Street, and, to a slightly lesser degree, Chicago’s LaSalle Street over the global financial system, the financial thriller is a predominantly Anglo-American phenomenon. Significantly, the authors of financial thrillers invariably are, or have been, employed in the financial sector – as traders, venture capitalists, investment bankers, accountants, consultants, solicitors, and journalists – while financial professionals also constitute a disproportionately large segment of their readership.¹¹ I therefore approach these texts not as mere secondary representations or reflections of finance capital, but as artefacts that emanate from and circulate within the life-world of financial markets themselves, and in which the multivalent and ephemeral flows of affect and desire that animate these markets are indelibly inscribed.

Financial thrillers adhere to a clear formula. A brilliant, charismatic, and ruthless financier, usually surrounded by a shadowy cabal of co-conspirators, attempts to orchestrate a

catastrophic collapse of global financial markets. The conspiracy succeeds in generating major turmoil in the markets, but in doing so attracts the attention of a jaded but principled financial operative who (typically assisted by a beautiful and mysterious female companion) manages, against the odds, to avert the final execution of the plot at the eleventh hour. Large parts of these narratives are given over to descriptions of the disorder in the markets generated by the plotters, as well as to visions of the still greater chaos to come, both of which are suffused with a lurid, apocalyptic rhetoric of cataclysm and final reckoning. In Stephen Frey's *The Takeover* (1995), for example, a character describes the febrile atmosphere of a market collapse like this:

The Dow Jones Industrial Average was off seven hundred points at two o'clock. It's the biggest single one-day decline in the Dow, ever.... All the other markets are off too. People are talking about a crash of the entire U.S. financial system.... Everyone's crowded around TV sets. Nobody's working. It's incredible. The next sound you hear is going to be people hitting the pavements as they throw themselves out of windows.¹²

In Stephen Rhodes' *The Velocity of Money* (1997), we are told that, were the conspirators' plot to be unleashed, "the blood would gush through the urban canyons of Wall Street and spread through Main Street America – and the ripple effect would reverberate around the world. In the course of two business days, the American stock market would suffer its biggest nuclear meltdown ever."¹³ If the plotters in David Schofield's *The Pegasus Forum* (2001) are successful, then, a character ominously remarks, "we can all wave goodbye to everything. Savings, pensions, property, the whole *system* which enables our society to function, even the value of currency itself, will be destroyed."¹⁴ The architect of the crisis in James Harland's

The Month of the Leopard (2001) attempts to sow panic in the markets by publicly opining that, “Eastern Europe is now about to crash totally, and [the] main European and American markets will not be far behind. A cloud of deflation will spread across the world, destroying economies like a plague of locusts destroys a crop. Very little will be safe.”¹⁵ In Martin Baker’s *Meltdown* (2008), it is predicted that “the whole system will come tumbling down.... A major bank goes down, another US corporation admits it’s been telling lies about its profits, the US authorities wobble, and suddenly the whole banking system threatens to teeter over the edge as creditors call for their money. What happened in the Depression after 1929 could be with us all over again – but worse, much worse.”¹⁶ Similarly, the narrator of Joseph Finder’s *The Zero Hour* (1996) anticipates a financial upheaval that will “topple the business world and plunge America and the world into a massive depression. The US economy would be obliterated, and with it that of the world. America’s reign as a global power would be ended, as the country and much of the world returned to an economic Dark Ages.”¹⁷

These passages constitute mere fragments of the very substantial portions of these novels devoted to detailed and vivid, even baroque, evocations of financial ruin, in which much of the texts’ resources of dramatic, descriptive, and figurative energy are invested. In comparison, the denouement of the financial thriller, in which the scheme to destroy the markets is foiled with seconds to spare, tends to be jarringly perfunctory, contrived, or illogical, even by the standards of the thriller genre. Events occurring in disparate locations around the globe, which would each have been dramatized in minute detail in the build up to the climax, are summarized in a few paragraphs; a previously peripheral character abruptly intervenes to offer a convenient means of averting the looming crisis; or the protagonist arrives at a “solution” to the dangers arrayed against him that is in fact riddled with flaws and contradictions. Readers of these novels have been acutely sensitive to the weaknesses that beset their endings. The following are typical comments found in online reader reviews: “The

ending of this novel ruined all the good work that had gone before”; “only one weak point: the end. Slips just a little and the climax happens altogether too fast”; “the surprise ending is truly surprising for it’s [*sic*] total impausibility [*sic*]”; “it was made all the more ridiculous towards the end”; “a realistic and insightful look at the way this country’s financial markets work[,] alongside a brisk pace and a few good chase sequences, [were] just enough to convince me to see this book to its conclusion, [which leaves] loose ends and any semblance of believability behind”; “the conclusion is so obvious that the tension fails to build”; “even if you enjoyed it at the start, as I did, the last few chapters will almost certainly manage to disappointment [*sic*]”; “I was looking forward to seeing how the story concluded itself – and I never really felt that it did. The ending seemed to just happen, there was a lacklustre twist and then I reached the back cover”; “I thought the ending let it down a bit”; “the ending is a tad simplistic which is in contrast to the good balance in the rest of the book.”¹⁸

An insight into the problematic status of the endings of these novels is provided by Peter Brooks’ classic work of narrative theory, *Reading for the Plot* (1984). In the book’s major theoretical chapter, “Freud’s Masterplot: A Model for Narrative,” Brooks draws on Sigmund Freud’s counterintuitive claim, in *Beyond the Pleasure Principle* (1920), that in tension with the instinct towards the preservation, amalgamation, and propagation of living substance (the “life drive” or Eros), organisms possess a contrary urge towards death – towards the complete discharge of energy and the reduction of organic matter to a state of quiescence that borders on the inorganic. This “death drive” is itself paradoxical and internally riven, however, for it is not simply a desire for the immediate destruction of life, but for the correct, appropriate, or fitting death, at the appointed time. As Freud puts it, “the organism wishes to die only in its own fashion.”¹⁹ Brooks argues that the movement of narrative towards an ultimate unbinding and neutralization of excitation should be understood as akin to a movement towards death, and that this, too, “must be the right death, the correct

end.”²⁰ Narratives, like living organisms, must guard against “the danger of short-circuit: the danger of reaching the end too quickly, of achieving the im-proper death.”²¹

The awkward curtailment of proceedings that characterizes the finales of financial thrillers, and the dissatisfaction felt by readers with these finales, indicate that we are confronted here with narratives that have “short-circuited” in this way. The fitting conclusion, the one motivated by the prevailing narrative drive of these texts, must, then, consist not of the hero’s last-minute derailment of the plotters’ scheme, but of the epic financial collapse whose prospect has hung over the action from the opening pages. Of course, the conventions of the thriller virtually guarantee that these texts will ultimately frustrate their own narrative logic, but it must be emphasized that this generic demand for the “happy ending” does not simply derive from some innate human desire for resolution, security, and the restoration of order, but is one of the ways in which these texts answer to an ideological obligation to curb and domesticate the very transgressive desires they so powerfully mobilize. Another is the strategy – familiar in the thriller and crime fiction genres – of channelling subversive impulses that (as I will argue shortly) pervade the social totality into the depiction of a small cadre of villainous conspirators, who can be safely dismissed as aberrant deviations from the norm. A third is the tactic of ensuring that these conspirators are assigned motives of wealth, power, or vengeance, no matter how flimsy, so as to foreclose the far more disturbing possibility that their actions might be in some way driven by a desire for the sheer annihilation of capital – their own as much as anyone else’s. Glimpses of such an impulsion are, however, fleetingly disclosed. In James Harland’s *The Month of the Leopard*, for example, the chief plotter responds to the news that the execution of his plan has so far cost his hedge fund sums “in the order of sixty billion dollars” by bathing in the pure, awesome scale of these losses, which he imagines as bestowing on him the gravitas afforded to the builders of the soaring monuments of earlier ages:

“It’s an incredible number, don’t you think?” he said. “All the rulers of the world build monuments to themselves, you know. The Egyptians had their pyramids, the Romans their amphitheatres, the Christian church its cathedrals. Now the markets rule the world, what do we build? Huge great numbers, towers of dollars reaching up into the heavens, piles of money so immense we feel dwarfed in front of them. That is what power is all about – making the rest of the world feel small.”²²

Similarly, in David Schofield’s *The Pegasus Forum*, a rogue trader who yearns to “destroy the value of money itself” revels in her orchestration of vast losses: “she was single-handedly performing an entire atonal concerto of catastrophe, rising to a crescendo with the final cacophonous combination of bonds, stocks, and options that she knew would lose most of their value in the next day or two.”²³

What would a financial thriller look like if it were to give free rein to its visions of chaos on the global markets? First of all, by dispensing with the climactic aversion of catastrophe that is an absolute prerequisite of the form, such a text would, in fact, virtually cease to be a financial thriller at all; this strategy could only be pursued, moreover, at some distance from the ideological force-field of the financial markets in which contributions to the genre are invariably forged. A novel of precisely this kind is Don DeLillo’s *Cosmopolis* (2003).²⁴ In this text, DeLillo depicts a multibillionaire asset manager, Eric Packer, whose massive losses in deals on the Japanese yen threaten the stability of the entire global financial system:

There were currencies tumbling everywhere. Bank failures were spreading....

Strategists could not explain the speed and depth of the fall.... He knew it was the

yen. His actions regarding the yen were causing storms of disorder. He was so leveraged, his firm's portfolio large and sprawling, linked crucially to the affairs of so many key institutions, all reciprocally vulnerable, that the whole system was in danger.²⁵

In stark contrast to the stock narrative of the financial thriller, this global crisis continues inexorably to unfold, while Eric looks on with mounting exhilaration at the sight of such colossal, universal ruin: "The stock ticker was ... good. He watched the major issues breeze by and felt purified in nameless ways to see prices spiral into lubricious plunge... [T]here was trembling pleasure to be found, and joy at all misfortune, in the swift pitch of markets down."²⁶ Later, Eric hacks into his wife's private bank accounts and sets about losing over seven hundred million dollars "in the smoke of rumbling markets," thereby guaranteeing his own destitution: "He did this to make certain he could not accept her offer of financial help. [I]t was necessary to resist ... or die in his soul."²⁷ In a remark whose implications I will return to, a character comments on Eric's willingness to lay waste to his own wealth in these terms: "Even when you self-destruct you want to lose more, die more than others, stink more than others. In the old tribes the chief who destroyed more of his property than the other chiefs was the most powerful."²⁸ In this passage, and elsewhere, DeLillo offers some tantalizing hints as to the libidinal forces that infuse both the narratives of financial thrillers and the workings of financial markets themselves. His depiction of a figure whose wilful extirpation of market value ultimately, in the novel's final scene, proves to be indistinguishable from his pursuit of his own annihilation points unmistakably in a direction that we have already begun to follow: that of the death drive.

Financial Exchange and Death

The concept of the death drive occupies a marginal but nonetheless significant position in the history of economic thought. The first glimmerings of this tradition can be perceived, long before Freud even formulated his theory, in Karl Marx's proclamation that capitalism's destiny would be to generate its own terminal crisis, begetting, "with the inexorability of a law of nature, its own negation;"²⁹ and striking resonances have recently been detected between Freud's conception of an eternal struggle between Eros and Thanatos and his contemporary and fellow Viennese Joseph Schumpeter's idea of capitalist "creative destruction."³⁰ As I signalled earlier, however, it is in the work of the French intellectuals Georges Bataille, Jean Baudrillard, and Jean-François Lyotard that this economic configuration of the Freudian death drive appears in its most conscious and sustained form, and it is to these figures that I now turn.³¹ My aim is to show how their arguments, though formulated under economic conditions that, at most, only approximate our own, nonetheless provide the lineaments of a compelling alternate understanding of contemporary financial crisis.

The economic theory of Georges Bataille proceeds from the premise that modern, industrial, bourgeois society is dominated by a demand to conserve and accumulate wealth that is a higher order expression of the life drive's logic of preservation and reproduction (and is encoded in classical, and latterly neoclassical, models of the calculating, self-interested economic actor). On the basis of his reading in anthropology, however, Bataille argues that the ascendance of this "restricted economy" has merely curtailed (without ever entirely eradicating) the "general economy" that held sway in premodernity, in which the urge to dissipate that which the life drive has built up is actively cultivated. Just as the death drive is, for Freud, the primordial psychic impulse, to which all others are ultimately subordinated, so waste, loss, and sacrifice – rather than the proto-bourgeois conventions of acquisition through bartered exchange – are, for Bataille, the elemental forms of economic activity. In his first

major foray into political economy, “The Notion of Expenditure” (1933), Bataille enumerates various forms of “unproductive expenditure,” which distinguish themselves by placing their accent on “a *loss* that must be as great as possible in order for that activity to take on its true meaning.”³² His list comprises “luxury, mourning, war, cults, the construction of sumptuary monuments, games, spectacles, arts, [and] perverse sexual activity.”³³ In this essay, and at greater length in the first volume of *The Accursed Share* (1967), Bataille grants a privileged status to the system of gift exchange known as *potlatch*. While the term refers specifically to a traditional practice of the Native American tribes of the Pacific Northwest, he notes that ethnographers find traces of similar institutions “in all societies.”³⁴ It is, he writes, “the typical form” of the “archaic organization of exchange.”³⁵ Drawing on Marcel Mauss’ classic study, *The Gift* (1923-24), Bataille explains how the potlatch consists of a ritual in which a chief bestows a lavish gift on a rival, obliging the recipient to present a still greater offering in return. As Bataille acknowledges, this custom appears, at first glance, to be a mere charade of unproductive expenditure, for each participant expects to receive a return, with interest, on the goods they have relinquished. Bataille insists, though, that this would be to profoundly misunderstand the meaning of the ceremony, which is revealed by two significant characteristics. The first, as indicated by DeLillo in his telling allusion to this practice in *Cosmopolis*, is the fact that the chiefs are permitted to slaughter, break, or incinerate the gift objects, rather than delivering them, so that one or both may emerge from a round of potlatch with a significant reduction, rather than an expansion, in their material wealth. The second is that the ultimate aspiration of potlatch is to make a gift that cannot be repaid: to inflict a loss on oneself that would not even be compensated for by an equivalent loss for one’s rival. This is because the object of the potlatch is not wealth, relative or absolute, but the “prestige, glory, and rank” conferred on the figure whose “reckless expenditure of vital resources” overawes and subdues its onlookers.³⁶

Bataille's theory of general economy and its relation to the Freudian death drive are rearticulated in Jean Baudrillard's work of the mid-1970s, particularly in his notion of "symbolic exchange." Symbolic exchange occupies the same terrain as general economy in that it denotes those forms of human activity that are inimical to principles of utility, profit, and value. As Baudrillard explains in *Symbolic Exchange and Death* (1976), a work which plots many of the theoretical coordinates for the free-ranging musings of his later work, the governing logic of symbolic exchange is "reversibility, cyclical reversal, and annulment": "the reversibility of exchange in the sacrifice, ... the reversibility of production in destruction, the reversibility of life in death." "Extermination and death," he writes, with reference to Freud, "is the form of the symbolic itself."³⁷ Baudrillard acknowledges that symbolic exchange, like general economy, "is no longer the organizing principle of modern society," but argues that "the symbolic haunts modern social institutions in the form of their own death."³⁸ It is precisely to the extent that the systems linking these institutions strive to exorcize the spectre of symbolic exchange that the necessity of unproductive expenditure asserts itself, to the point that the claim of the symbolic has the potential "to bring [the system] crashing down." This, Baudrillard observes, "is the fatality of every system committed by its own logic to total perfection and therefore to a total defectiveness, to absolute infallibility and therefore irrevocable breakdown: the aim of all bound energies is their own death." At the peak of value, he continues "we are closest to ambivalence, at the pinnacle of coherence we are closest to the abyss of corruption which haunts the reduplicated signs of the code."³⁹

The "ambivalence" between accumulation and dissipation, life and death, with which all socio-economic systems are, for Baudrillard, riven is also central to the contemporaneous work of Jean-François Lyotard. Against Baudrillard and Bataille, however, Lyotard insists, in his *Libidinal Economy* (1974), that this ambivalence does not consist of a confrontation

between capitalist exchange and symbolic exchange or between restricted economy and general economy, but is instead a tension internal to capitalism itself.⁴⁰ Lyotard is concerned with the same paradoxical desire of individuals and groups for their own dispossession and mortification, but whereas Baudrillard and Bataille view this as another order of being and experience that hovers on the margins of the instrumentalized realm of profit and utility, Lyotard identifies it as an integral element of the fabric of life under capitalism. His most famous, and notorious, illustration of this position consists of a sketch of the everyday existence of the nineteenth-century English proletariat. In an argument orientated, once again, around Freud's theory of the death drive, Lyotard claims that these workers submitted themselves to the agonies of industrial labour not simply in order to perpetuate their lives in the face of the threat of starvation, but so as to enter into a condition of living death that yielded strange, masochistic pleasures and intensities:

Death is not an alternative [to this way of life], it is a part of it, it attests to the fact that there is *jouissance* in it, the English unemployed did not become workers to survive, they – hang on tight and spit on me – *enjoyed* [*ils ont joui de*] the hysterical, masochistic, whatever exhaustion it was of *hanging on* in the mines, in the foundries, in the factories, in hell, they enjoyed it, enjoyed the mad destruction of their organic body which was indeed imposed upon them, they enjoyed the decomposition of their personal identity, the identity that the peasant tradition had constructed for them, enjoyed the dissolution of their families and villages, and enjoyed the monstrous *anonymity* of the suburbs and the pubs in the morning and evening.⁴¹

The processes of capitalism operate, for Lyotard, on a continuum between the life drive and the death drive, and an abrupt shift from one pole to the other is always possible: “floating

masses of energy, if they can always be counted as the reserve of the Ego or of Capital in the service of Eros, unexpectedly also turn out to pass over to the enemy, to the Id, to the partial pulsions and to death through excess.... The reserve of capital *may* ... become threatening, and this is not as a result of any dialectic whatever.”⁴²

Despite certain important distinctions, then, in these texts Bataille, Baudrillard, and Lyotard all understand capitalism’s apparently relentless pursuit of profit to be troubled by an ineradicable tendency towards waste and loss that is an expression of the death drive. The necessity of purging the bloated stockpiles of capital generated by phases of growth is posited as a systemic factor inscribed within the social formations of modernity, but unlike traditional Marxist notions of the objective, structurally determined predisposition of the capitalist mode of production towards periodic crises, or the idea of the inherent vulnerability of complex, interconnected systems to ramifying disturbances asserted in sociological risk theory,⁴³ these three thinkers emphasize the powerful affective and libidinal investments of individual and collective subjectivities in the annihilation of wealth. How, then, can their ideas enrich our understanding of the specific phenomenon of the financial crash?

In “The Limits of Utility,” a set of fragments from an abandoned version of *The Accursed Share*, Bataille remarks that while “the project” – the meticulously planned and calculated process of accruing wealth – “dominates capitalist activity,” “play” – in which individuals willingly embrace chance, risk, and the possibility of profitless expenditure – “is restricted to the stock exchange.”⁴⁴ Benjamin Noys even goes so far as to suggest that,

perhaps Bataille’s energetic reflections on the crisis of value [in “The Notion of Expenditure”] were influenced as much by the 1929 Wall Street crash and the subsequent world depression as they were by the anthropological data on which Bataille drew. When Bataille wrote “A human society can have ... an *interest* in

considerable losses, in catastrophes that, *while conforming to well-defined needs*, provoke tumultuous depressions, crises of dread, and, in the final analysis, a certain orgiastic state” he could just as well have been describing the economic crises of the 1920s and 1930s as the massive expenditures of so-called “primitive” societies.⁴⁵

However, when Bataille came to articulate his economic ideas at length in the late 1940s, in the process of drafting *The Accursed Share*, he did so amidst a post-depression, post-war climate of scarcity, austerity, prudence, and thrift, in which the capacity of finance capital to trigger major crises had been significantly curtailed by the imposition of tight regulatory frameworks (which may explain the absence of any reference to the stock exchange from the published version of the book). As has often been observed, the one major phenomenon identified in *The Accursed Share* as an indication of the presence of the general economy in this period – the massive US aid package for the post-war reconstruction of Western Europe known as the Marshall Plan – hardly seems to possess the unproductive intent, nor the frenzied, Dionysian character, which Bataille elsewhere associates with acts of expenditure.

Commentators on Bataille’s work, most notably Jean-Joseph Goux, have argued that the emergence, since the 1970s, of a late, postmodern, or consumer capitalist economy has made lavish, luxurious expenditure of resources the norm in the advanced (post)industrial nations. As Goux acknowledges, though, “it is clear that even the most unproductive seeming consumption (for example: tobacco, alcohol, but also pleasure trips, movies etc.) produces a profit-making industry,” and so fails to meet the criteria of true, Bataillean expenditure, in which there would be no remainder, reserve, or return.⁴⁶ It has only very rarely been noted in this context, and then merely in passing, that financial collapses constitute phases of exchange in which a trade in assets that are, by nature, hollow and insubstantial ceases to yield its only significant output – profit – and begins instead (except in the case of those

traders who have “sold short,” gambling on such a fall) to generate losses that can ultimately consign billions, or even trillions, of dollars of market value to oblivion.⁴⁷

Jean Baudrillard is unique in having repeatedly employed Bataille’s concepts in the process of reflecting on financial crises. In an article published in June 1987, four months before Black Monday, Baudrillard alludes to Bataille’s opus *The Accursed Share* in claiming that stock market crashes, like other “extreme phenomena” such as AIDS, terrorism, and computer viruses, provide necessary outlets for the catastrophic potential of contemporary global conditions, thereby warding off the possibility of a terminal cataclysm: “We may see this as our societies secreting their own particular form of ‘accursed share,’ like those tribes which rid themselves of their excess population by suicidal plunges into the ocean – a homeopathic suicide of some of their members which preserved the homeostatic balance of the whole.”⁴⁸ Baudrillard returns to these themes in several articles written in the wake of the October 1987 crash. In one, he suggests that the crash is symptomatic of finance capital’s assumption of “the energy of potlatch, of poker, of the challenge to its own logic,” which marks “the transition to the aesthetic and frenzied phase of the economy.”⁴⁹ In a later piece, he reiterates this notion of an affinity between financial markets and the potlatch ceremony, arguing that the logic of potlatch is discernible in the “difficult,” “painful,” and “ambiguous” “delight” we take in the “spectacular pathology” revealed by the stock market crash and other forms of contemporary crisis.⁵⁰

Of the three theorists I have discussed, Jean-François Lyotard, in *Libidinal Economy*, offers by far the most sustained meditation on financial crises.⁵¹ His analysis rests on a distinction between the two uses of “wealth” or “force-power”: reproduction and speculation or mercantilism.⁵² These two modes correspond to the two forms of capital accumulation in Marxist theory: the production and consumption of commodities (commodity capital) and the exchange of stocks, bonds, currencies and other financial assets (money capital). While

Lyotard is reluctant to categorically assign reproduction to the life drive and speculation to the death drive,⁵³ the former, in which investment results in the manufacture of new goods, is identified as “circular, global, [and] organic,”⁵⁴ whereas the latter, in which money is merely exchanged endlessly with itself, is defined as a “deadly” zone of “pillage,” “looting,” “destruction,” “plunder,” “dissipation,” and “exhaustion.”⁵⁵ As Giovanni Arrighi has demonstrated, the history of capitalism consists of an oscillation between phases in which commodity capital is the dominant mode of accumulation and those in which money capital has the ascendancy.⁵⁶ Published in 1974, *Libidinal Economy* looks back to the culmination of the last period of supremacy for money capital, in the early decades of the twentieth century,⁵⁷ and intuits, in the “speculation on the currency markets”⁵⁸ stemming from the recent demise of the Bretton Woods system, the emergence of what will turn out to be another era defined by the primacy of financial accumulation. Money capital or speculation has its deathly associations, for Lyotard, not only because of its perceived sterility or unproductiveness, but because in periods when it prevails over commodity capital it creates a level of libidinal imbalance and volatility that, at its most extreme, puts “the survival of the ‘social’ body in jeopardy.”⁵⁹ Speculation’s “consumptive hoarding,” Lyotard remarks, creates “between one part and the other of this ‘body’ a more and more overpowering inequality of wealth” and “between one piece and the other of the libidinal patchwork a more and more hateful jealousy with regard to intensities.”⁶⁰ This notion of “jealousy” does not simply denote the personal resentment felt between the impoverished factory worker and the prosperous financier, however, but describes a state of disequilibrium in the continuous libidinal field from which all subjectivities are constituted.⁶¹ The wild imbalance in the concentration of libido that results from speculation threatens to tear the social body asunder. As Lyotard puts it, “a process of increasing disparity between the parts of the body must make this latter explode: the *koinonia* [fellowship or communion] cannot support a heavy

difference of potential between its organs.”⁶² If speculation is not to destroy the social body it must turn its lethal energies inwards and destroy itself. This, Lyotard argues, was the logic underlying the 1929 Wall Street Crash. The “brokers of 1929” who enacted this crisis demonstrated that “every intensity is a flight to death, that is to say to exhaustion, in which energy is spent at the height of its force, hence exploiting every reserve, destroying every organized body.”⁶³

Like all financial crises, the crash of 1929 “was and is a singular episode, an event,”⁶⁴ with its own unique ontology. Extrapolating from Lyotard’s account of this event, his wider reflections on the volatility of speculative capital, and the related arguments of Freud, Bataille, and Baudrillard, however, it is possible to hypothesize the presence of a common dynamic in all such crises. This hypothesis is threefold: firstly, that an element of the expansion of finance capital, and, in particular, of the acute speculative phase of exchange that precedes a crisis, in which assets are traded at ever higher prices, is to generate an accumulated reserve of value that will lend the eventual crash the greatest possible magnitude; secondly, that at a certain critical, indeterminable moment – perhaps initially in response to news that highlights the disparity between the soaring heights of the markets and the perilous state of one or other economic fundamental, or perhaps simply because of a pervasive, instinctive perception that a threshold of disequilibrium has been reached – a movement towards the liquidation of assets begins to prevail; and thirdly, that in this escalating wave of selling, indissolubly mingled with the desire to maximize gains already accrued, or minimize losses already sustained, there exists an urge to perpetuate and intensify the downturn, thereby contributing to the generation of a sublime, sacrificial spectacle of waste and expenditure.

As Freud, Bataille, Baudrillard, and Lyotard all realize, the notion of the death drive itself, as well as any theoretical position derived from the concept, must ultimately remain in

the domain of the speculative and the hypothetical. It is not my intention, nor would it be possible, to assemble a wealth of empirical evidence in support of the theoretical model I have elaborated: if the death drive does indeed exist, then it is by nature silent, subterranean, and consciously disavowed. Nonetheless, there are disparate sites in which this shadow side of financial exchange makes itself momentarily visible. I have already discussed the presence of an intense yearning for dramatizations of catastrophic loss in those narrative products of speculative capital, financial thrillers. Turning to the so-called credit crunch, the most recent global financial crisis and the most significant since 1929, one is struck by its widespread denunciation as an episode of extraordinary “self-destructiveness.” We should look beyond the connotations of mere recklessness or short-sightedness typically carried by the term in this context, and allow it to assume its full implications. The crisis primarily emerged, after all, from an explosion in the trade of securities based on mortgages targeted specifically at individuals who would quite plainly be unable to repay them. Of course, the resulting bubble and crash can be ascribed simply to pure, blinkered greed, and a consensus that as long as someone else was left holding these “toxic” assets when the system began to unravel, then all was well. But, equally, there could be no clearer case of a period of speculation in which each transaction inevitably, and more or less knowingly, prepared the way for a colossal and pervasive write off of value, from which none of the major institutional players would emerge unscathed.

The delirious media coverage of such crises, meanwhile, both reflects and amplifies their investment of the texture of everyday life with a new pace, intensity, and excitement; we are thrilled and stupefied – suffused, as Baudrillard would have it, by masochistic “delight” – as these great pyres of wealth are immolated before our eyes. Similarly, if the traders themselves experience each loss as “like having a death,” face in any reduction of the value of their portfolio the possibility “of annihilation of the self,” describe losing money in the

deathly, sacrificial terms of getting “killed” or “burned,” and yet may undergo such torments as many as a hundred times in even an ordinary day’s trading,⁶⁵ then we may conclude, as Lyotard says of the English proletariat, that “there is *jouissance* in it” – that there is an element of libidinal satisfaction in the very agony of “destruction,” “dissolution,” and “decomposition.” More fanciful and contentious, no doubt, is the affinity suggested by the eerie resemblance of traders in the midst of a bear market – heads flung back or cast forward, faces contorted, hands lifted as if in prayer, eyes transfixed on the vast screens that preside over the trading floor – to photographs of a young man undergoing the Chinese ritual execution known as *lingchi*, or the “death by a thousand cuts,” photographs which became fetishes for Georges Bataille, who detected in the transfigured expression of the man the indivisible blend of suffering and ecstasy that is the essence of expenditure.⁶⁶

Whatever the validity of such an association, the horrific cruelty captured in these images should direct us towards the ethical stakes of expenditure, even in the less overtly violent realm of the financial markets. In his article “In Praise of a Virtual Crash” (1988), Baudrillard is content to characterize the October 1987 crash as a “tragicomedy,” an episode in which our desire for the sacrificial destruction of wealth could be harmlessly indulged, for the capital lost was, after all, only ever speculative, fictional, virtual.⁶⁷ It is true that this crisis had surprisingly little impact on the wider global economy, but, as Baudrillard tacitly acknowledges through references to 1929, such an outcome can by no means be assured. In *Libidinal Economy*, Lyotard provides a chilling vision of the fallout of the 1929 crash. As noted above, he argues that the mass of libidinal energy captured by the foregoing phase of speculative accumulation had placed acute strain on the social fabric, but, far from being eased, this stress was redoubled by the sudden and chaotic unbinding of these energies:

The crisis of '29 attests that the alleged social “body” – in fact millions of rags of the patchwork unified in principle under the capitalist, paranoiac law of reproduction – can fall apart, be taken to pieces, and go to pulp for a long time (right up until 1950-5, that is a quarter century counted on the clock of *Weltgeschichte*), and atrociously (millions and millions of deaths, millions of ruins), without any other “reason” than the frenzied, jealous impulses.⁶⁸

If, today, the financial crash is the privileged means by which capitalism’s accumulated reserves of wealth are unproductively squandered, then – as the shock waves of the latest crisis in the global markets continue to reverberate through the “real economy” of labour and commodities – the horrors of the Great Depression so starkly evoked by Lyotard might give us pause to reflect on the dysfunctional nature of a social formation that, beyond the massive dissipations of spasmodic, asymmetrical war, provides few other significant outlets for the seemingly inextinguishable urgings of expenditure.

Notes

I am grateful to David Bennett, *Angelaki*’s anonymous reviewers, and members of the audience at the ‘Art and Science Now’ conference hosted by Birkbeck College, University of London for their comments on earlier versions of this essay.

¹ Jameson 246-65 (261, 265).

² Sornette 51.

³ In addition to the texts cited below, mention should be made of de Goede; LiPuma and Lee; Luhmann esp. ch. 9; MacKenzie; Taylor; and Wark esp. pt. 4.

⁴ See, for example, Abolafia and Zaloom.

⁵ See, for example, Goldberg and von Nitsch; Schleifer; and Thaler (ed.).

⁶ For a useful overview of research in this field, see Shiller ch. 9.

⁷ David Tuckett and Richard Taffler have recently enriched the field with an explicitly psychoanalytic theorization of the phenomenon of herding in financial markets. Financial information, they argue, “is processed differently when groups of economic agents come to share an unconscious belief in the existence of what we have termed a phantastic object” (405); that is, “a mental representation of something (or someone) which in an imagined scene fulfils the protagonist’s deepest desires to have exactly what she wants exactly when she wants it” (395). They continue:

The active behaviour of the believing group is sufficient to move prices and become self-rewarding, ... which leads to a belief in a more and more contagious new reality. When the bubble bursts this is not due to new information; rather it seems the dizzy heights reached create an accumulation of split-off anxiety recognized ... as ‘uneasiness, apprehension, tension, stringency, pressure, uncertainty, ominous conditions, fragility’; this ushers in a period of volatile oscillation before the return of the repressed anxieties and the crash. (406; the embedded quotation is from Kindleberger 95).

⁸ Sornette 4-5, 308.

⁹ Other major contributors to this tradition include Roger Caillois, Pierre Klossowski, Alain Badiou, Jean-Joseph Goux, and Gilles Deleuze and Félix Guattari, as well as Karl Marx and Sigmund Freud themselves. On the apogee of this project in the early 1970s, its subsequent marginalization, and recent (partial) recovery, see Kaufman. David Bennett is at work on what promises to be the definitive study of the conjunction of economics and the libido in

post-Enlightenment thought. Aspects of this project are elaborated in “Burghers, Burglars, and Masturbators,” “Getting the Id to Go Shopping,” and “Desire as Capital”.

¹⁰ For a detailed treatment of the financial thriller phenomenon, see Marsh ch. 4.

¹¹ On the readership of financial thrillers, see Marsh 108-09.

¹² Frey 317.

¹³ Rhodes 116-17.

¹⁴ Schofield 367; emphasis in original.

¹⁵ Harland 198.

¹⁶ Baker 324.

¹⁷ Finder 368.

¹⁸ Quotations from customer reviews on Amazon.com and Amazon.co.uk (accessed 20 December 2008).

¹⁹ Freud, *Beyond the Pleasure Principle* in *Complete Psychological Works* 18: 1-64 (39).

²⁰ Brooks 103.

²¹ Brooks 103-04.

²² Harland 259-60.

²³ Schofield 91, 329.

²⁴ Cf. Marsh, who suggests that *Cosmopolis* “can be usefully read as a critique of the ‘corporate storytellers’ of the finance thriller” (117). DeLillo’s keen interest in the financial markets extends as far back as 1977’s *Players*, largely set on the floor of the New York Stock Exchange.

²⁵ DeLillo, *Cosmopolis* 115-16.

²⁶ *Ibid.* 106-07.

²⁷ *Ibid.* 123

²⁸ *Ibid.* 193-94

²⁹ Marx 1: 929.

³⁰ de Lauretis 547-70 (555-57).

³¹ I refer readers to Karyn Ball's important essay "Death-Driven Futures"; Ball's relation of Freud's death drive and certain aspects of Bataille's and, especially, Baudrillard's economic thought to contemporary finance capital has affinities with my own approach. Also of interest is Steven Connor's notion of "destitution," under which he traces the current of economic reflection initiated by the theory of the death drive and pursued by Bataille, Baudrillard, Lyotard, and others. Destitutive thought, Connor explains, "takes seriously the idea of a principle opposed to economy which nonetheless works on the inside of economy, is immanent to economy itself" (9-23 [17]).

³² Bataille, "Notion of Expenditure" 116-29 (118; emphasis in original).

³³ Ibid. 118.

³⁴ Bataille, *Accursed Share* 1: 67.

³⁵ Ibid. 1: 67.

³⁶ Ibid. 1: 71.

³⁷ Baudrillard, *Symbolic Exchange and Death* 2.

³⁸ Ibid. 1.

³⁹ Ibid. 4.

⁴⁰ Lyotard, *Libidinal Economy* 103-14. For a detailed analysis of the affinities and divergences between these three thinkers over this cluster of issues, see Pefanis esp. ch. 6.

⁴¹ Lyotard 111; emphases in original.

⁴² Ibid. 220.

⁴³ See, principally, Beck, *Risk Society* and *World Risk Society*; Giddens, *Consequences of Modernity* and *Modernity and Self-Identity*; and Luhmann.

⁴⁴ Georges Bataille, “La limite de l’utile” in *Oeuvres Complètes* 7: 181-280 (220); qtd. in Goux 206-24 (215).

⁴⁵ Noys 105; the Bataille quotation is from “Notion of Expenditure” 117; emphases in original.

⁴⁶ Goux 220.

⁴⁷ Fred Botting and Scott Wilson comment on the relevance of Bataille’s economic theory to the “neo-libertarian 1980s,” when “wealth, neither acquired gradually nor passed on steadily, was grasped at the speed of ... an electronic impulse between stock exchanges” and “fortunes, gathered the day before, disappeared overnight” (introduction to *The Bataille Reader* 1-34 [29]). Mayfair Mei-hui Yang draws on Bataille’s work in arguing that capitalism’s “mechanisms of periodic self-destruction of its accumulation” include “stock market crashes which wipe out accumulated wealth in a matter of seconds (477-509 [495]).

⁴⁸ Baudrillard, “AIDS: Virulence or Prophylaxis?” in *Screened Out* 1-8 (8).

⁴⁹ Baudrillard, “In Praise of a Virtual Crash” in *Screened Out* 21-25 (25).

⁵⁰ Baudrillard, “The Viral Economy” in *Screened Out* 26-32 (30).

⁵¹ Lyotard is also the only one of the three to have attracted any notable scholarly interest in this aspect of his work (see Cooper and Murphy 229-41).

⁵² Lyotard 211.

⁵³ Ibid. 228.

⁵⁴ Ibid. 211.

⁵⁵ Ibid. 211, 212, 227.

⁵⁶ See *The Long Twentieth Century*. Arrighi’s book is the point of departure for Jameson’s essay “Culture and Finance Capital.”

⁵⁷ On the cultural, and specifically novelistic, transitions that attended the terminal phase of this era of speculative excess – and their renewed resonance today – see my “Anticipations of the Accident: Modernist Fiction and Systemic Risk” (forthcoming in *Textual Practice*).

⁵⁸ Lyotard 229.

⁵⁹ Ibid. 228.

⁶⁰ Ibid. 228-29.

⁶¹ Ibid. 234.

⁶² Ibid. 229.

⁶³ Ibid. 237.

⁶⁴ Ibid. 229.

⁶⁵ Zaloom 132, 109, 140.

⁶⁶ Bataille published these photographs in *The Tears of Eros* (1961). They are reproduced in Surya, *Georges Bataille* and may be viewed on a web site devoted to research into Chinese torture: <<http://turandot.ish-lyon.cnrs.fr/Event.php?ID=10>>.

⁶⁷ Baudrillard, “Praise” 21.

⁶⁸ Lyotard 229.

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