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The Black Swan

Cosmopolis

It happened in New York on an April day in the year 2000. The Twin Towers of the World Trade Center were still standing. The American economy had been growing non-stop for more than a hundred months; the Dow Jones Industrial Index had just climbed above 11,000 points to reach an all-time high, while electronic trade on the NASDAQ was rallying steadily. From the top floors of the Trump World Tower, not far from UN headquarters, a view of the East River emerged as day broke, revealing the bridges and smokestacks of Queens and in the distance, beyond the suburbs, a misty haze and seagulls swarming far below.

After a sleepless night, a twenty-eight-year-old billionaire fund manager decides to leave his apartment on Manhattan's East Side to go to a hairdresser on the shabby West Side, his part of town as a child. He rides down in one of the private elevators and climbs into his white armor-plated stretch limousine, fitted out with cork sound-proofing, surveillance cameras and numerous screens relaying world news and stock exchange prices. His chiefs of security and technology are already waiting for him, along with the chauffeur. The vehicle turns into Forty-seventh Street on its way west, passing one high-rise apartment building after another. As the night wears on, it gets caught up in a series of adventures and complications that may rightly be called an odyssey.

On the way, the fund manager meets his wife and one or other of his mistresses. There is a report that the IMF director has been murdered, and likewise a Russian oligarch, a media entrepreneur, who had been a friend of this young billionaire. Crawling through the traffic, the limousine crosses Park and Madison Avenues, drives through the old Jewish neighborhood and reaches the Broadway theater district, only to be trapped in the chaos of an antiglobalization protest. A bomb explodes at the entrance to an investment bank; as a young man sets himself on fire, our speculator looks on, unaware that he himself will soon fall victim to a pie attack. Suddenly, and for no particular reason, he kills his chief of security and reaches his childhood hairdresser's near the docks. Then, equally inexplicably and abruptly, he leaves the hairdresser, gets involved with three hundred naked extras in a late-night film shoot, and coincidentally runs into his wife for the last time. An ex-colleague is waiting for him in a deserted ruin, and this man, he must finally understand, will be his murderer.

With this strange story, Don DeLillo's 2003 novel takes us right into the arena of the modern financial market, touches on the question of whether that market lends itself to narrative treatment and offers a series of narrative and rhetorical figures to represent the riddle of the finance economy, its protagonists and their operations. In his 1977 novel, *Players*, DeLillo had already pursued the question of how business finance and stock market speculation can be presented in narrative form. The narrative device he has chosen in *Cosmopolis*—a New York speculator's trip one day to the hairdresser's —amounts to a synopsis of modes of perception and problems which must still be termed capitalist. The key to this achievement is DeLillo's depiction of his main character. Around this figure he develops an allegory of modern finance capitalism, invoking both received historical ideas and contemporary economic theories. At the same time, the particular narrative method employed by the novel, with its hypertrophic amassing of events, raises fundamental questions about how different incidents are interconnected in the current global economy. An opportunity thus presents itself to question the inner workings of the capitalist economy, this system that appears to be our destiny.

Capitalist spirit

DeLillo's first move is to give his fund manager cum speculator some of the proven, canonical features that have distinguished the careers of financial and stock market speculators for at least two hundred years—and ensure that we recognize them. "Young, smart and raised by wolves" (12), renowned for the ruthless efficiency and killer instinct that make him the embodiment of finance capitalism in all its riskiness, DeLillo's hero belongs in a series running from the "condottieri," "pirates," and "werewolves" of the money business in Balzac, through Marx's knights-errant of credit, up to the "mad dogs," "rogue traders," and "wolf packs" of today's foreign exchange markets.[1] Furthermore, DeLillo's protagonist, sporting the vigorous-sounding name of Eric Packer, enters the scene in disguise, as a character mask—or rather, a dream figure, an apparition—personifying the most recent form of finance capitalism. He is not only hyperalert and sleep-deprived, manic and prone to excess, he is at home everywhere and nowhere, an Odysseus of globalization and citizen of a monetary cosmopolis. He is marked, above all, by his longing to leave behind the ponderous heaviness of the material world, where physical conditions of ownership still prevail. He dreams that use values will die out and that the referential dimension of reality will vanish; he dreams, too, of the dissolution of the world into streams of data and the absolute tyranny of the binary code, and he places his faith in the spiritual appeal of cyber-capital, transposed into eternal light via the shimmering and flickering of charts on countless screens.

It is the dream of ultimate, radical transubstantiation. Émile Zola's novel about financial speculation, *Money*, had already referred to poets of sublime sums of money. This novel deals with a more recent mutation: Verlaine's *poète maudit* returns in a new generation of professional symbolists. Obsessive and extravagant, they devote themselves to making money "talk to itself" (77) in a free, artificial and self-referential play of signs, sealed against the rest of the world like the cork-lined office-limousine that is so reminiscent of Marcel Proust's insulated bedroom. What is finally accomplished here is nothing less than a raid by the future on the rest of time.

The words and concepts of everyday language, we are told on one occasion, are still overburdened with remnants of historical meaning: they are all too "cumbrous" and "anti-futuristic" (54). By contrast, oscillating share market and foreign exchange mechanisms dictate a rhythm, measured in nanoseconds, from which the traces of history have been erased, annulled in the maelstrom of futures and their derivatives: "The present is being sucked out of the world, to make way for a future of uncontrolled markets with huge investment potential. The future becomes urgent" (79). Just as the market is interested only in prospects for future profit, disregarding past and present, so this form of capitalism dreams of oblivion; it deals with the power of the future and fulfills itself in the end of history.

Faced with the mysteries of the most modern form of finance capitalism, DeLillo responds in his novel by combining elements of the old and the new capitalist mentality. On the one hand, this allows him to portray the addiction to change and the continual revolutionizing of global and economic structures in the name of capitalist free enterprise as a process of "creative destruction," to borrow Schumpeter's famous phrase: "Destroy the past, make the future" (93). The forces of capital were never interested in preservation; they were never "conservative" in that sense. On the other hand, it enables him to show how these forces have freed themselves from the sphere of production. Thanks to the alliance of "technology and capital" (23), the culture of the market has become as insubstantial as it is all-encompassing. The movement of capital now knows no bounds. Freed from the material manifestations of wealth, it has installed itself in "a time beyond geography and touchable money" (36). It dictates its own dynamics and standards of mobility, abandoning all local, social and political constraints.

As a result, market culture can absorb revolt and anarchy as vital expressions of its own system, treating protest as a fantasy spawned by the free market itself and capitalism as the consequential self-optimization of that fantasy: "The protest was a form of systemic hygiene. . . . It attested again, for the ten thousandth time, to market culture's innovative brilliance, its ability to reshape itself to its own flexible ends, absorbing everything around it" (99). This system, DeLillo's novel of ideas suggests, reforms itself through resistance, neutralizing opposition by assimilating whatever protest actions may spontaneously rise up against it. It achieves perfection—in keeping with the goals of "New Management"—by becoming a veritable fund of creative energy.

It is no accident that the whole course of events is encapsulated in a slogan lifted from the famous opening lines of the *Communist Manifesto*, a slogan modified by the demonstrators to make the capitalist spirit interchangeable with its former, "spectral" counterpart. Appearing on an electronic stock ticker displayed on the façade of an investment bank, it reads: "A SPECTER IS HAUNTING THE WORLD—THE SPECTER OF CAPITALISM" (96).

Security breakdown

This literary compilation of canonical formulae, drawn from both older and more recent analyses of capitalism—from Marx and Engels, through Schumpeter, up to Baudrillard, Boltanski, Chiapello, or Rifkin[2]—forms a tableau depicting the latest in a series of industrial revolutions. With the era of the steam engine and the regime of automation behind it, capitalism is now following a "digital imperative" and, in the process, seeking to regulate "every breath drawn by the billions of people who live on this planet" (24). This must be seen against the backdrop of the massive technological and economic upheaval brought about by the creation of electronic stock exchanges, the spread of computerized trading since the 1980s, the extension of networks, the introduction of ISDN, and the conversion of the frequency spectrum to 300 megahertz, all of which led to exponential growth in the mobility of capital transactions.[3]

At the center of this euphoric alliance of information technology and finance capital, in DeLillo's novel, stands a course of events that lacks clear direction and follows a totally improbable and irrational course—and, in the process, yields an interpretation of what it means to live under conditions created by today's finance economy. This is revealed, on the one hand, by the way narrated events themselves unfold. For the path of DeLillo's allegory of capitalism leads further than expected. It not only runs from the eighty-ninth story of a luxury apartment tower to street-level shabby backyards; it not only moves from east to west, so following the prevailing direction of the American dream; and it not only draws a line from life to death, the place where exchange is no longer possible and all transactions cease. Like another modern Ulysses who spent an entire day wandering through a metropolis, the route taken by DeLillo's protagonist recalls the erratic itinerary of age-old voyages at sea. The allegory amounts in effect to a Homeric pastiche, recalling the fate of Odysseus in all its variants.

It is the path of the *nóstos*, the circuitous route of a long journey home. For DeLillo, however, the hero's homecoming has become a deadly descent into the realm of childhood, while the ship bearing the hero back from the Aegean is now an armored vehicle, cruising through dangerous metropolitan streets. Homer's Penelope, weaving as she waits, returns as a poetry-spinning heiress to billions. The hero falls into her arms not at the end of his journey but on the way, more than once and entirely by chance. Nausicaa, Circe, Calypso and the Sirens, oracles, and giants have assumed the form of female bodyguards, former lovers and eloquent scholars, as well as avant-garde artists, masked demonstrators and unemployed computer whizzes. And the circle of hell that Dante reserved for cunning Odysseus is realized, at the end of DeLillo's novel, in the sinister scenery of an endlessly drawn-out death moment.

Clearly, this epic tendency in the novel does not presuppose "a world already prosaically ordered," to borrow Hegel's definition of the modern novel. DeLillo leads us instead into a world in which events are loosely or merely episodically interlinked, appearing as external forces and hardships that ultimately take a turn for the worse as they interconnect and escalate in a fateful way. For Hegel, epic conventions are out of keeping with organized society, institutionalized community and above all the rule of law[4]; in DeLillo's hands they mark the entry-point into a zone of elemental danger. Whereas questions regarding security systems, preventive measures, risk assessment, surveillance and harm avoidance accumulate in thoroughly hyperbolical ways early on in the novel—"our system's secure" (12)—security increasingly breaks down as events unfold. The president of the United States, the last exponent of sovereign state power, now exists only as an image of one of the "undead" (77). If a particular moment can be said to represent this situation symbolically, it is the moment when the protagonist uses a code word to release the safety catch on his chief of security's automatic pistol and unexpectedly shoots him dead, thus turning this security measure against itself.

With that, DeLillo's allegory of capitalism steps—beyond the line—into a wilderness at the heart of civilization, a realm where terroristic impulses are given free rein, sudden assaults and attacks dictate the daily rhythm of life and barbarism is rife. It is the world of *hwa-byung*, *susto*, or *amok*, those culture-bound syndromes that have become bywords, in Korea, the Caribbean, or Malaysia, for the way indigenous people vent their repressed rage, pure horror, or panic in acts of uncontrolled violence.[5] The result is a caricature of an emotionally primitive landscape in which the excesses of the "fanatical tropics" (28) are mixed with the horrors of self-mutilation, slaughter, and "red meat" (14). DeLillo's protagonist is pursued in the end by the "power of pre-determined events" (147) and succumbs, as if to a "principle of fate" (107), to the death that has long awaited him. The word "speculator" derives from the Roman name for a sentry (*speculari*) who kept a lookout for danger or misfortune. In keeping with the general tendency of the narrative, it is this "seer" (46) who himself has taken on the role of the "dangerous person" by the end (19). Having become the point of attraction for all risky situations, he now lies there: robbed, abandoned, and exposed.

The unrepresentable

On the other hand, it is evident that this narrative interplay of archaic threat, excessive violence, and fatalism only repeats a framework of events dictated by the movements of global capital. Throughout his odyssey through the streets of Manhattan, the young fund manager speculates on the fall of the Japanese yen, thereby pursuing one of the most aggressive financial operations of all, the so-called carry trade. This form of credit-reliant takeover involves using borrowed capital to buy up shares of companies with healthy profit outlooks, as witnessed in recent years in the cases of Porsche/Volkswagen and Schaeffler/Continental. As the example of Packer Capital in DeLillo's novel indicates, this means that large quantities of potentially high-yielding shares can be bought with yen borrowed at low interest rates in expectation of a fall in the exchange rate of the yen, thus maximizing speculative gains. And something unprecedented and unexpected occurs as a result, providing the novel with one of its main plot devices. The erratic course that draws DeLillo's protagonist from one incident to another and on to his death is shadowed or doubled by a wild run on the currency market: "against expectations" (8), the Japanese yen climbs ever higher until nothing can stop its rise; Packer Capital's holdings are wiped out and its CEO is ruined—another odyssey with a fatal outcome.

In the end, DeLillo's novel leaves no doubt that something completely unthinkable and irrational has happened in this "yen-carry," something that is metastasizing "out of control" (85), follows no likely script, and no longer points to any plausible reality. The state of the world has become impossible to decipher. If the notorious "worldliness" of the modern and contemporary novel is bound up with the question of how events are ordered and by which rules, then DeLillo's novel registers a return to archaism in the most modern form imaginable; it leads us to suspect that the world of finance economics is battered by the storm winds of events signifying the gravest possible danger. Stock market transactions coupled with the fatality of brute force: here DeLillo is documenting a variation in a pattern of events that, a decade earlier, had been given the title *American Psycho*. Financial markets in a state of turmoil mirror zones of elemental danger. Together, they shape a narratological program that converts the dynamics of exchange rates into a pattern of epic fatefulness, making the advent of the unlikeliest outcome appear utterly inevitable.

"What is happening doesn't chart" (21): it cannot be represented. This trend in share prices is unrepresentable because it stages an "assault on the borders of perception" (21) by virtue of the inconceivably vast sums of money involved, awe-inspiring in their magnitude. It embodies an economic sublime that manifests itself without taking material form. To understand what this means, we need only recall that in 2000, for example, 1.9 billion dollars were flowing daily through the economic networks of New York City; or that even earlier, in the 1990s, fortnightly turnover there was already equivalent to worldwide economic output.[6] Beyond this, however, we are dealing here with what the traders call a "situation" (40), one of those improbable and rare events, unforeseeable and capricious, that appear without warning, like the actions of a "deranged killer" who for a long time lived undetected next door, posing as "an excellent citizen" and kindly "old neighbor."[7] This kind of event has also been described as a "black swan," meaning a unique occurrence with the following three attributes: first, it exceeds all expectations and indeed could never have been expected to take place; second, it has an extreme—in this case, fatal—impact; third, it provokes an obvious need for explanation, a retrospective search for coherence, background and plausibility. Just as the black swans of modern natural science appeared to be sheer impossibilities and could therefore become emblems of problematic inductive conclusions, so here they denote a leap that interrupts the linear sequence of events, leaving behind islands of turbulent activity that are scarcely credible, an excess of randomness.[8]

In any case, two things have happened by the end of this episodic course of events. On the one hand, disastrous speculative investment has destabilized the system itself and brought on a global crisis: "He knew it was the yen. His actions regarding the yen were causing storms of disorder. He was so leveraged, his firm's portfolio so large and sprawling, linked crucially to the affairs of so many key institutions, all reciprocally vulnerable, that the whole system was in danger" (116). In fact, the market of the new economic order did collapse in early 2000 for similar reasons. In the first two weeks of April that year, the NASDAQ, the US technology exchange, recorded a 27 percent price drop that analysts were at a loss to explain.[9] On the other hand, the manifest blindness of self-styled seers and speculators also had to be admitted: "I couldn't figure out the yen" (190). The world has become unreadable, its interconnections blurred. Things in general are running out of control. The series of stock exchange reports and currency events fits into no known pattern and progresses without apparent rationale. At the peak of the financial crisis of early 2000, DeLillo's protagonist finds himself in the same uncomfortable situation that Alan Greenspan, longtime director of the US Federal Reserve Bank and a staunch advocate of unregulated financial markets, was to confront eight years later. It was a situation in which he could no longer apply his "worldview," his "ideology," and long-held self-evident truths or interpretations. The "whole intellectual edifice" of the finance economy came crashing down.[10]

By tracing these erratic and apparently irrational movements, DeLillo's *Cosmopolis* naturally brings to mind the financial crises that followed each other in rapid succession from the twentieth century into the twenty-first: from the Wall Street crash of 1987 to the 1990 Japanese crisis, the bond market debacle of 1994, and the Russian collapse of 1998, followed by the so-called technology or dot-com bubble of 2000 and finally the disaster of 2007 to 2008 and beyond. Taken together, these were events that by all accounts of economic probability should never have occurred, or at most only once every several billion years. And DeLillo is perhaps also alluding to the surprising speculation on the exchange rate of the yen in relation to the US dollar during the 1990s, when the rise of the yen did appreciable and lasting damage to the Japanese economy, damage that would be repeated to ruinous effect between 1998 and 2000.[11]

Above all, however, the story centers quite obviously on one particular event, and a great deal is at stake in the way that event is presented: both the coherence of the narrated world and the rationality of the economic system. Here DeLillo is asking whether "plausible realities" that "can be traced and analyzed" will continue to exist (85); he explores the "techniques of charting" that enable us to grasp and "predict" the movements of money markets (75). The baffling fluctuation in the exchange rate of the yen, with all its calamitous effects, exemplifies the kind of unprecedented happening that now challenges all interpretative efforts, and it leads him to question nothing less than the sufficient reason behind it. What motivates such an event, what shapes its connections and makes it predictable, determining its possible or probable course? "The yen is making a statement. Read it!" (21). What kind of event is a current market valuation? What is expressed through it, how does it change, and what future course will it take? How necessary or fortuitous are the links between different events, and how erratically or sequentially are they made? Such questions lie at the heart of DeLillo's plot, but they are also the focal point for the will to knowledge of today's finance economy. DeLillo's literary text and the speculative play of signs it thematizes both pose a problem of interpretation. This is evidently related to the irruption of something unexpected and—to use one of Greenspan's phrases—to the dynamic of an "irrational exuberance" that puts the system of economic reason, or the rationality of this system, to the test.

Perplexity

All this inevitably points to a certain perplexity within economic science itself, prompting the open question: how, if at all, does an idea of the coherence of the economic universe manifest itself here? Economics—this dogma of our time—is in principle quite prepared to use completely different, contradictory interpretations to explain everything that happens in contemporary financial dealings, including crashes and crises. One of the most prominent of these interpretations is essentially orthodox in nature. It originates in the market fundamentalism of the Chicago school and calls itself the "efficient market hypothesis." According to this doctrine, financial markets represent the purest distillation of market activity in general. Unencumbered by transaction costs, unimpeded by transport needs and the difficulties of production, operated by rational, profit-oriented, and therefore reliable economic agents, they are the ideal, frictionless setting for price formation mechanisms and perfect competition. That is why prevailing prices and price fluctuations on these markets directly and exhaustively reflect all the available information. Under optimal conditions of market competition, so long as all players possess equal access to information relevant to pricing—for example, how much and how quickly they can buy—current price quotations will accurately convey the truth about economic activity in general at any given time. The assets to which these prices refer are never really under- or overvalued. Any errors and inefficiencies that may eventuate, such as major discrepancies between actual and forecast returns, are due only to various irritating impediments to free market activity and can quickly be rectified, given favorable conditions. As late as 2007, one of the founding fathers of this school of thought, Eugene Fama, considered it self-evident that there are no such things as "bubbles" in financial markets—the very idea is without foundation and makes no sense.[12] According to this view, all crises and depressions are nothing more than adjustment phases documenting the relentless forward march of economic reason. The market itself is what is real and hence rational.

There is another interpretation, which is a little less conservative but no less orthodox. Taking the most diverse financial crises as examples, it focuses on bubbles, runs, busts, and booms, speaking of "financial panic" or "euphoric escalations." Since the seventeenth century, and particularly since the nineteenth century, terms such as these have been used to address the sheer irrationality of speculative transactions that deviate fundamentally from all standard practices in the commodity market, from the principles of economic rationality, and from the basis of the so-called real economy. Daniel Defoe had already documented the susceptibility of the "stock jobbers" to every kind of blindness and deception, showing just how bottomless is the abyss into which totally irrational stock market activity can lead. Somewhat later, examples of the influence of mass hysteria, herd behavior, and blind imitation were identified in stock market trade and speculation, ranging from Dutch tulip mania to the English South Sea bubble or the French Mississippi bubble. Finally, the high volatility of financial markets was cited as the reason for huge price fluctuations that defied all rational expectations and for the highly aberrant, inefficient, and irregular ways in which the markets themselves operated.[13] Explanations such as these made it possible to assert the logical inevitability of over- and undervaluation. Both could ultimately be traced back to the influence of foreign, external, noneconomic factors: emotions, for instance, or amateurish conduct, willful recklessness, extravagance, greed, or sheer lack of common sense. Right up to the most recent collapse, financial markets and stock exchanges have been wrestling with a real problem of inclusion. There are too many market players pursuing all too incompetent operations or harboring sinister motives, triggering irrational movements which, from time to time, give rise to exceptional economic situations. Here then the market is neither efficient nor rational; it is simply clueless.

Apart from an apparent consensus that price fluctuations on financial markets should be described as "turbulent currents" and "pure molecular flurries,"[14] there is not just disagreement among various schools of thought here but flagrant disunity as to how one payment incident relates to another and which forces of reason or unreason drive financial activity, provide its dynamics, and motivate its anomalies. This problematic is further complicated by the question of what the play of economic signs actually refers to. In other words, what do movements on the share market indicate? How are price fluctuations on stock exchanges and financial markets to be read and interpreted? What do they have the power to represent?

This semiotic question in turn suggests a peculiar ambiguity in finance economics. On the one hand, "fundamental analysis" concentrates on comparing price movements on financial markets with basal economic data: with factors like productivity, returns, cost structures, forecast dividends, discount rates, current accounts, or purchasing power.