Building Ruins
Gerald Nestler

Reports and reflections abound on the concept of “ruin” as financial condition that can apply equally to individual homeowners, small businesses, banks and even to entire nation-states. But the notion of ruin might indicate another current development concerning the temporal order of global finance today and its impact on the social and legal spaces that constitute the realm inhabited by people.

On May 6, 2010, high-frequency trading in the E-mini S&P futures market started a cascade of selling activity in an already bearish situation that spilled over into other markets and market places. The event termed as the "Flash Crash" resulted in the biggest one-day point decline in the history of the Dow Jones.

The Flash Crash (in the words of London School of Economics’ Daniel Beunza “a watershed event in the history of markets”) on the one hand constitutes the ultimate ruin of the vanishing socio-spatial arena of exchange and price discovery. The open outcry-trading pit was shot into pieces in a havoc of six minutes, in which automated trading forced old-school market makers to clear the floor. A vivid audio of this event can be found on YouTube (search tradersaudio.com). On the other hand, the event might serve as a template for a wider context, in which spatial relations tend to become subjected to a temporal mode of markets.

High-frequency, or “flash,” trading is a set of financial methodologies based on algorithms allowing executions of trades in milliseconds. Today, it amounts to over 70% of equity trades in the US and is growing all over the world. Its proponents claim high-frequency trading deepens the pools of liquidity in the markets, reducing volatility. It also shortcuts the relatively illiquid and slow human agents on the few remaining trading pits and shows a stark contrast to the exchange of imitation and control between human traders on site.

The pace of global financial circulation flushing in and out of economies is systematically setting new records. In this temporal scheme, space becomes non-space, deflating in the electronic moments of transaction. Negotiating risk in temporal threads evokes a high potential of constant price assurance for those invested and a ‘de-securitization’ of legal liability. It also poses a threat to older social systems and even nation-states that cannot simply dispose of the “old orders” of space and jurisdiction. The spatial realms inhabited by individuals—consisting of their social, societal and cultural constructions and multifarious connections—are undergoing a decisive shift from political and legal to financial control systems through financialization. This adaptation of derivative finance methodologies to the social arena is the truly unprecedented side-effect of HFT, yielding a concise new socio-spatial equation: transaction disposes of action.

The flow of algorithmic trades deconstructs social and spatial architectures by “building ruins”. The ruin is the global structural “settlement” of derivative finance, as it constitutes the precarious space in which the negotiation of risk is not disturbed. Social fabric is turned into ruins to provide the essential sites of accelerated intrusion and withdrawal of capital. The commodification and ‘liquidization’ of everything—including the emergence of what I call “human derivatives”—can be seen as the method of deconstruction, i.e. construction of ruins by which the standardized exchange of contracts regulates the assessment of value on a screen of global scope.

The current debates and frantic policies around the debt crises of nation states such as Ireland, Portugal, Spain or Greece (and their banks), the subprime housing crisis, even pit trading itself (as the arena of exchange) are only a few examples of the psychology of derivative finance paving its way beyond social and spatial dimensions. Contrary to other invasions of power (such as military ones) this system creates ruins as a collateral of its own securities. As an order of near-immediacy it distorts economies and fragments space. The space of action is abandoned, further allowing transactions to flow free of human agency. Any kind of policy or law that tries to regulate trading of derivatives is interpreted by its advocates as an unruly infringement of the rule of “free” trade, although the latest crisis has made it obvious that the main argument for market economy— that only the market and its mechanism of supply and demand provide real prices and values – has not only been

suspended but rendered inoperative. Today, for instance, we are witnessing the ruin of older architectures of food supply for millions of people that rely on what has been turned into 'structured commodities' as the new El Dorado of capitalist speculation (by turning spatial into temporal dimensions of negotiation) while at the same time there are plans to give back to nature some of the ruins of a derelict industrialization and financialization in the USA.
The institutionalized legal systems of the modern nation-state cannot cope with this automated, globalized system of finance. Deregulation—a manifestation of a set of arbitrary rules instead of the rule of law—has therefore helped to bring about a decisive weakening of democratic structures. The crisis of legality is abundantly evident in the absence of a global approach to financial law; individual nations and their citizenries are largely undefended by weak international regulatory bodies, whose main advisors and even representatives often come from the finance industry proper.
With the radical decoupling of finance and economy we ought to radically rethink the entire notion of "derivatives" not as financial instruments of transaction but as nodes of coherence underlying human agency. The slogan of the 1990s, still haunting today, needs to be reformulated: "It's not the economy; it's the people, stupid!"

Postscriptum: Outsourcing and investing in financial products has not only led to a stifling of industrial production especially in the USA but also to an infrastructure that is deteriorating. On the one hand, the congress does not even agree on state investment in essential infrastructure. On the other hand, a specific infrastructure was recently buried into the ground between New York and Chicago: The Spread Networks Chicago-NY Dark Fiber network was built on a stretch of 1300 km between the financial centers of both cities. It offers a 13.33 millisecond round trip, which is of course slightly faster than any other infrastructure could take you back and forth (Kevin Slater in a TED-talk compares it with a mouse click that is 37 times slower). This fiber optic cable doesn't, of course, transport humans or commodities. Instead, it was built to transport algorithms on the shortest possible route to save 3 milliseconds, which according to Professor Ben Van Vliet at the Illinois Institute of Technology is "close to an eternity in automated trading". The costs for this ultimate trading weapon, which have not been disclosed, were estimated by Forbes to be around 300 million Dollars. And as Algo Trading makes up about 70 per cent of today's trading in US stocks, "anybody pinging both markets has to be on this line, or they're dead," as Jon A. Najarian says, a co-founder of OptionMonster, a company tracking high frequency trading. This is a far cry from medieval Italian moneylenders breaking their bank on the piazza when they were forced out of business. And one might wonder what will break in this system in circumstance of bankruptcy. Or rather, with the financial crisis as a forced ruining of social institutions and a further ramping up of financial technologies, don't we need to realize that human action is itself faced with a kind of bankruptcy, at least in those representative forms still so dear to us? We might therefore see ourselves confronted with a situation that would be better described by a term such as "sociocruptcy", a broken social order, in which algorithms with the speed of light define value, worth and along with it humanity or what we used to think of it. It will need more than an occupation of Wall Street – a mere symbol of an older order. This territory is also confronted with ruin by an upgrade in technology that rings in a shift from the occupation of space to one of time. It doesn't only arrest the future but the moments of presence as well. What we actively need to confront today might therefore be the dark and light pools of virtual bets that define the contingent realm of reality.

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