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# High-frequency trading, algorithmic finance and the Flash Crash: reflections on eventalization

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that eventualizations of 6 May 2010 evoke familiar tropes about the fear of technology

and the fear of herding. Finally, and given their emphasis on herding, I argue that the Flash Crash eventualizations may contribute to discussions within economic sociology about resonance in quantitative finance.

Keywords: [Émile Durkheim](#) [events](#) [Flash Crash](#) [herding](#) [high-frequency trading](#) [Gabriel Tarde](#)

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Notes

1 Later f

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crash in US

October

2016. However, in this paper, I focus on the May 2010 Flash Crash since this is the most famous and widely debated flash crash event.

2 The drop was registered in the so-called 'order book', which lists a trading venue's buy and sell orders in a way that visualizes the market at any given moment. I stress this experiential anchoring of the market because high-frequency trading, which reportedly was partly to blame for the Flash Crash, takes place at timescales beyond human perception (see Borch et al., [2015](#)). So, on one level, high-frequency trading, in its actual operations, renders financial markets non-experiential. On another level, however, high-frequency trading orders leave visual traces in the order book, and thus lend themselves to human experience.

3 Reflecting this initial confusion, market participants engaged in active internet searches in order to understand what was happening. Bloomberg reported that 'Yahoo! Inc., Google Inc. and at least one brokerage [Charles Schwab Corp] sustained slowdowns on Web pages that provide financial information as US stocks tumbled and users swarmed the Internet for market updates' on 6 May 2010 (Womack, [2010](#)).

4 Katsuyama later developed the New York-based IEX exchange (approved by the SEC), which similarly aims to neutralize the speed advantage of high-frequency traders.

5 Golumb (2012, 2015) and others have argued that the Flash Crash was a 'black swan' event.

6 In one sense, the Flash Crash is different from that of the 2008 financial crisis in that both sources of volatility are based on how the internet is used. However, as [Borch et al. \(2015\)](#) argue, the Flash Crash is different from the 2008 financial crisis in that most of the volatility is based on speculation, rather than on fundamental information. See [Borch et al. \(2013\)](#), p. 10.

6). For a discussion of the Flash Crash, see [Borch et al. \(2013\)](#), p. 10. The Flash Crash may be seen as a 'black swan' event, as argued by Jovanović (2013). In the field of financial markets, they argue that the Flash Crash is a 'black swan' event because of stable market conditions and the use of stable market conditions. Lévy proposed a theory of market fluctuations based on types of market fluctuations. Lévy's theory of market fluctuations is based on the use of stable market conditions.



8 This connection between the systemic risks of high-frequency trading and its embeddedness in strategies in which the market is tweaked to benefit a few (in particular, to the detriment of human traders) is echoed in a recent MIT Technology Review paper: ‘High-frequency traders are able to make pennies off of individual trades but execute them millions of times a day, while regular investors are left in the dust. And it could be a destabilizing force, where software gone haywire erases huge chunks of a company’s value in a matter of minutes. That has happened enough that it has a name: a flash crash’ (Reilly, [2016](#)).

## Additional information

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