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Perspectives

Black Monday and Black Swans

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Abstract

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Notes

- ¹ From its September 1929 high of 381 to its July 1932 low of 41, the Dow dropped by an astonishing 90 percent.
- ² Before the discovery in the 17th century of Australia, where black swans are common, Europeans thought that all swans were white; to imagine swans of any other color was completely unreasonable.
- ³ The average annual return on stocks during the 1926–2006 period was 10.4 percent. Curiously, in only 2 years of those 80 years did the returns realized fall between 9 percent and 11 percent. The “average” year, then, rarely occurred.
- ⁴ This thesis, written for Princeton University, was entitled “The Economic Role of the Investment Company” and was published in [Bogle \(2001\)](#).
- ⁵ For a discussion of the stock market’s historical returns, including each decade’s investment return, speculative return, and total return, see pp. 15–18 of [Bogle \(2007\)](#).
- ⁶ In this section, I have liberally quoted and paraphrased investment adviser Frank K. [Martin \(2006\)](#). Martin’s quotes from Hyman Minsky come from Minsky’s 1974 article “The Modeling of Financial Instability: An Introduction ” in *Modeling and Simulation*.
- ⁷ Joseph Schumpeter’s phrase “creative destruction” is often used to describe the process of destroying old industries and creating new ones.
- ⁸ These data are from the U.S. Bureau of Economic Analysis, “GDP by Sector of the U.S. Economy,” [http://www.bea.gov/gdp/gdpbysector.asp](#), accessed 20 June 2007 to
- ⁹ Data in this section are from the U.S. Bureau of Economic Analysis, “GDP by Sector of the U.S. Economy,” [http://www.bea.gov/gdp/gdpbysector.asp](#), accessed 20 June 2007 to
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12 Spoken at a symposium entitled “The Greenspan Era: Lessons for the Future” in Jackson Hole, Wyoming, 26 August 2005.

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