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4 Money as a fetish

The financial market crisis from a psychodynamic perspective

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Toward gold throng all,
To gold cling all,
Yes, all!

(Johann Wolfgang von Goethe)

Introduction

Through concentrating on establishing rules and regulations, the search for the causes of the financial market crisis in 2008/9 was quickly finalized. The culprits and their motivations were identified as the investment bankers and their greed. But what if the investment bankers were only a symptom of fundamental social psychodynamics?

I would like to advance the thesis that the cause of the financial market crisis is better explained by the psychodynamics of perversion which pervade the economic system in the sense of a state of mind or mental outlook. Money would thus be the fetish of this perversion. To elucidate this thesis it is essential to outline the development of the financial market crisis and the psychological aspects that became apparent in the different phases of the crisis.

The financial market crisis: origin and initial phase

My starting point is the 'global pool of money' (I personalize this for the sake of my argument), always on the lookout for investment opportunities through its investors (Blumberg *et al.* 2009a). Institutional investors such as insurance companies, pension funds, investment funds, hedge funds, or family offices for private wealth management disposed of US$70,000 billion in 2007 (Institutional Investors 2003; Blumberg *et al.* 2009a) and were always on the search for high-yield, low-risk investment opportunities. Government bonds were long regarded as being especially safe, in particular US government bonds. But the low interest level had made US Treasury bonds less interesting and the 'global pool of money' searched for alternative, similarly low-risk investment opportunities. It discovered 'mortgage-backed securities'. Because mortgage loans had thus far been regarded as a safe form of investment, there was an increased demand and new products were developed, namely, collateralized debt obligations (CDOs). Over time, and in the presence of the continuing demand for CDOs, US home-ownership increased, along with a gradual lowering of the initially high demands on the creditworthiness of homebuyers. The last stage of the lowered credit demands was the so-called NINA (no income, no assets) loans; neither an income nor any assets had to be demonstrated to obtain a mortgage loan.

'The state of mind of the system' (Long 2008) is expressed by Warren Buffett from the perspective of today's investors when he says, 'Nothing sedates rationality like large doses of effortless money' (Plender 2009). In particular, among banks, mortgage brokers but also homebuyers there was a feeling of continued growth. This was connected with a feeling of invincibility and the impression of having invented the perpetual motion machine for money. 'Everyone' wanted to participate in this endless circus of easy money, while the much talked about and cited 'greed' also played an important role. However, the greed of investment bankers alone does not suffice to explain the psychological and systemic complexities.

During this phase, some market participants nevertheless had an uneasy gut feeling that, in principle, things could not continue like this endlessly. Although this assessment existed, it was drowned out by assumedly rational arguments.

The financial market crisis: phase 2

In about November 2006 the system began to fail. The trigger was falling housing prices, as the loans of more and more overextended borrowers were in default. It nevertheless took until September 2008 for the crisis to reach its height in the United States (Blumberg *et al.* 2009b). Lehman Brothers declared bankruptcy, but the consequences were felt in the area of commercial papers and money market funds, which made the expansion of the crisis to the real economy possible. The bankruptcy of Lehman Brothers had two effects. Because Lehman Brothers was an important issuer of commercial papers, institutional investors received an indication of its imminent bankruptcy; they withdrew $41 billion virtually overnight (Waggoner 2008). As a result, 'the Reserve Funds broke the buck' and gave rise to the further withdrawal of $100 billion from various money market funds over the following two days. Eventually, other financial market fund managers no longer purchased any commercial papers for their funds, corporations could no longer issue commercial papers, and normally unproblematic business transactions and investments had to be cancelled (Blumberg *et al.* 2009b).

The sudden and complete loss of confidence is of particular interest psychologically. Although the Lehman Brothers commercial papers represented only 1 or 2 per cent of the reserve fund portfolio, the bankruptcy led to a significant capital loss at the reserve fund, and investors withdrew their money from the money market funds, which had previously been regarded as safe. The extent of the loss of confidence and the huge emerging fear was irrational. The financial market funds no longer trusted the banks, and corporations had difficulties in securing financing.

The financial market crisis: phase 3

When AIG, the largest American insurance corporation, reported being on the brink of collapse one day after the bankruptcy of Lehman Brothers, this was due to another instrument, credit default swaps (CDSs). (The following remarks are based on Egli *et al.* 2009.)

CDSs are securities originally intended to serve as a form of insurance against loan defaults, but can also be used for speculation purposes, because a relatively small investment is expected to bring a high yield. In many instances the bank selling the CDS, in turn, bought the same insurance cover from another bank to hedge itself against risk. This netting led to the development of a complex variously intertwined system of liabilities among banks and comparable institutions, which could no longer be subject to oversight, and cannot today (since a record does not exist). As long as no corporation or bank defaults, this system initially appears to be unproblematic. But when only *one* link in this chain breaks, a downward spiral of unimaginable magnitude is generated.

AIG, like Lehman Brothers, was one of the key players in the market. When Lehman Brothers declared bankruptcy, AIG, a credit insurer of Lehman Brothers, suddenly ran into problems.

The principal difficulty, however, was the lack of transparency in and regulation of this market over the past twenty years. The deregulation of financial markets had become a political catchword prior to the financial crisis.

Two important psychological aspects play a role in the third phase of the crisis. In the forefront of this tightly knit global speculation, i.e. the excessive making of bets, a fascination with gambling and risk taking, accompanied by a loss of a sense of reality, is evident. The gambler's wish for non-regulation involves dodging the rules and results in a loss of confidence by others who can no longer assess the gambler's portfolio risks.

Figure 4.1 summarizes the state of mind of the system at the various different levels.

Hidden behind this complex state of mind is a dynamic process which can, in accordance with Long (2008), be described as perverse. The breeding ground for this development is formed by a narcissistic dynamic at the societal level.

An extended view of perversion

The term 'perversion' is derived from the French *pervers*, which is derived from the Latin *perversus*: turned around, backward, wrong, bad, evil (Kluge 2002). *Pervertere mores* meant in a quite general sense 'directed against customs and morals' (Berner 2002). There is thus – chiefly in the American psychoanalytic literature – a tendency to speak of a perverse attitude towards reality (e.g. Grossman 1993; Wurmser 2002; Arlow 1971; Etchegoyen 1978). Grossman's understanding of the perverse attitude is based on the difference between neurosis and perversion, which was previously defined by Freud: in neurosis the wish is disavowed, disguised or repressed with consideration of the dangers perceived in

Figure 4.1 Underlying dynamics of a narcissistic society.

reality, while in perversion the perception of reality is altered and the wish is retained (Grossman 1993).

The perverse approach towards reality is therefore not limited to sexual perversions, but constitutes a general attitude towards the denial of reality, diversion, and creation of illusions as a defence against troubling perceptions of at the simultaneous acceptance of reality. This may be understood as the splitting into Yes and No posited by Freud as being paradigmatic for fetishism. Undesirable perceptions and a complex reality are disavowed to avoid cherished fantasies, faith in almightiness, controllability and omnipotence being called into question. Dreams are treated as realities and perceptions as dreams (Wurmser 2002).

Regarding work with a patient, this can mean that the patient may 'look away' when an apt interpretation is offered. Although reality is perceived, it does not have a sufficiently strong influence to have an impact on the cherished beliefs. When reality does not fit, it is denied and disavowed. It may thus well happen that an unpleasant reality is dismissed as a dream or a joke.

The role of the fetish

A component of fetishistic perversions is the use of a non-living fetish to effect a compromise. However, in an extended conception of the perversion, the analyst, for example, may also be understood as the fetish. The patient perceives himself as inadequate and attempts to compensate this inadequacy by means of a fetish. The fetish symbolizes the missing piece, because the patient "misses the essential piece" (Wurmser 2002).

The fetish serves to distract the fetishist from the unbearable reality of the deficiency. The fetishist initially perceives reality as it is and subsequently denies it, because it is not in accord with his wishful thinking. From Grossman's (1996) point of view the pathology does not consist of the fantasy of the phallic woman, but in the dismissal of reality in order to preserve wishful thinking intact. Dreams are treated as if they were true, and reality is treated as if it were a dream. This approach to reality not only is used in regard to sexual aspects, but can be applied to all types of intrapsychic conflict to dismiss unpleasant realities. The perverse component is that possibly painful perceptions are treated as though they are without significance. It represents a form of dishonesty, a confusion of conscience that permits the individual to act as if reality cannot be distinguished from fantasy (ibid.).

From a Jungian perspective the archetype of the "invalid" is the symbolic expression of psychopathy, which also includes perversions. It serves as the symbolic representation of 'disablement' (and is not meant to be directed against people with disabilities in the current sense). The 'invalid' lacks something that permits a sense of wholeness. To have at least a temporary experience of wholeness, he employs a 'crutch', which serves as a substitute for the missing piece. The fetish can assume the role of the crutch.

Perversion in this perspective is basically characterized by five features: (1) lack of eros; (2) lack of morals (morals as the attempt of the ego to keep control over the eros); (3) absence of any human development; (4) background depression; and (5) chronic background anxiety (Guggenbühl-Craig 1980). These features contain an important indication of that which also plays a role in non-sexual perversions, the lack of eros and the lack of morals. Both of these will continue to be discussed in the following.

A perverse system

Can these general considerations and characteristics of the perversion of an individual be transferred to a system, a corporation or a society? At this point I would like to follow Long (2008), who poses the following conception. A society can function systemically on the basis of a specific (e.g. narcissistic) dynamic, and thus exerts an influence on the individual and his behaviour. This does not refer, however, to pathologization on the level of the individual, but rather to the state of mind of a system. In particular, the concept of state of mind is an essentially social concept and always needs the other to exist.

Long (2008) develops five significant indicators of a perverse state of mind which she then applies to the analysis of organizations. A comparison of Long's (2008) itemization of the conditions behind perverse systems with the characteristics described by Wurmser (2002) and Grossman (1993) leads to the following general characteristics of perverse system dynamics:

- different splitting mechanisms such as a general disavowal of reality at the simultaneous perception of a troubling reality; this includes the denial of differences;

- dehumanization of relationships and instrumentalization as object;
- shame anxiety;
- compromise formation with the aid of a fetish;
- the taking for real of illusions and fantasies;
- the cyclicity of its effects combined with the difficulty of breaking this cycle.

A general structural deficit, which finds expression in the form of a narcissistic society (Lasch 1979; Long 2008) is required for the development of a perverse system, without which this development would not be possible. Predominant in the psychodynamics of the narcissistic society is the aim of individual maximal self-presentation in the sense of recognition and noticeability by others.

Perversion in the financial market crisis

Each of the factors identified above will be used to explore perversion in the financial market crisis of 2007–8.

Splitting mechanisms

At the centre of a perverse state of mind of the system is the vertical splitting mechanism of disavowal and the concurrent apperception of reality. The perverse state of mind is characterized by a concurrent 'yes' and 'no' attitude to reality. Splitting serves as a defence against a feeling of powerlessness and ignorance that is too anxiety-laden to endure. Reality is too complex to be controllable; the uncontrollability can be perceived and yet not perceived.

The splitting and denial involves all levels of the system. In the first phase of the crisis, when the housing and mortgage markets were continuously rising and more and more CDOs were being sold, the insatiable global financial pool wanted increasing amounts of the 'wonderful', purportedly low-risk and high-interest products. Then, alarm bells should have started to ring – in particular, those of institutional investors, but also those of experienced private investors, who should have realized that a basic rule of investment was being challenged.

But the investors wanted to ignore more than the reality that low risk means low interest. Also denied was the complexity of the instruments. The newly developed structured securities and all of their successors for the private investment sector in the form of certificates constitute highly complex instruments that cannot be fathomed by the use of common sense alone. The bankers themselves no longer understood their own products – in private conversations they are prepared to admit this – but at the start of the crisis there was no mention of complex products; everything appeared to be so simple.

An uneasy feeling, which was repressed, was nevertheless experienced by some bankers; one just did not speak about it. This meant missing the boat. In the discussion of the financial market crisis the words 'greed' and 'envy' are

frequently mentioned, but each may serve as a defence against the uncomfortable realization of these denial mechanisms.

Mortgage brokers and mortgage bankers already had an intuitive queasy feeling prior to the collapse. The required credit quality continued to decline and had to decline, because otherwise not enough residential mortgage-backed securities would have been available for bundling, securitization, and sale to the global financial pool. The guidelines changed from 'declared income and declared assets' to 'no income and confirmed assets' to 'no income and no assets'. Ultimately, credit was granted to individuals who had neither assets nor a job. These individuals felt somehow that they had been invited to lie – they call it a sham credit – since declarations of income were not checked, and borrowers felt drawn into disguising the truth (Blumberg *et al.* 2009a: 23).

What becomes apparent here is the denial of reality by both the banks and the borrowers.

In a next stage the sale of bundled mortgages led to their virtual disappearance from the bank balance sheet. Moreover, with the introduction of special entities (special purpose vehicles, SPVs) and the respective guidelines for financial accounting, they vanished – depending on their construction – completely from the balance sheet. It seems there was an unconscious collusion with the financial supervisory authorities, which supports the idea of a denial of rather than a confrontation with reality.

There was a collective state of wanting to participate – to make a lot of money in a short time – and, most importantly, of turning a blind eye. Greed and envy are on the surface the impetus for not wanting to miss out and to participate. Yet behind the greed lies the denial of the uncontrollability of the system, the fear of its complexity, and fear of powerlessness. Participation meant to be part of the system and to maintain the illusion of controllability.

A different splitting mechanism became manifest when the crisis suddenly gained momentum following the bankruptcy of Lehman Brothers, in the difficulties of AIG. The feeling of 'everything is possible' changed literally overnight into 'nothing works any longer'. In splitting, the object is experienced as 'only good' or 'only bad'. The change in perception of the object is found in this sudden, total and completely irrational reversal of the mindset of the system. The wondrous, money-making, wealth-increasing market changed suddenly overnight into a monster that could no longer be trusted, because of the fear of being devoured by it (Blumberg *et al.* 2009b).

An attitude of total mutual distrust emerged among the banks, which no longer wanted to lend money to each other – even though a functioning interbank market works as a sort of lubricant in the system. The corporations also suddenly encountered financing problems since nobody wanted to do business with anyone any more. The financial market, normally highly fluid, became frozen (Blumberg *et al.* 2009b).

This borderline-like splitting effect prevented the perception of reality as a whole, which would have included both the positive and the negative sides of the object. This, in turn, prevented the apperception of one's own fear, powerlessness and helplessness. The described splitting mechanism brings to mind the paranoid-schizoid position of Melanie Klein (e.g. 1946), where the good, helpful object mutates into a destructive one. The mechanism of projective identification becomes effective in the archaic state, so that on a systemic level mutual blaming for the cause of the crisis took place among the banks.

Illusions

Splitting mechanisms underlie the formation of illusions. As a rule, these are illusions of grandeur and omnipotence, perceived as true, while the reality of painful powerlessness and helplessness is avoided. Boundlessness is another of these illusions. Living partially in a fantasy world enables the avoidance of a confrontation with reality. Brokers especially, who made a lot of money, felt like very cool movie stars and were treated as belonging to the rich and wealthy, and had access to expensive clubs (Blumberg *et al.* 2009a).

To the illusion of grandeur is added the feeling of mastery of the money-making system; the perpetual motion machine of money seemed to have been invented. The wondrous propagation of money seemed to be endless, and everyone profited from it: the construction companies and homebuyers, mortgage brokers and mortgage bankers, commercial and investment bankers, institutional and private investors. It appeared as if this would continue for ever; it had, after all, been going well for many years. This illusion of unending growth and omnipotence is accompanied by the illusion of manageability and control, which prevents the perception of its true opposite, non-manageability and non-control over the complex reality.

Shame-anxiety

Shame always arises from feelings of inadequacy, feelings that one might be weak, defective or deficient. It revolves around the ideal self-image, the ego-ideal that acts as a measure. Shame-anxiety is the fear of experiencing shame or the occurrence of a shameful situation. It is the fear that this experience may be due to one's own fault or carelessness. At the root of shame-anxiety is a lack of self-esteem and self-confidence, because beneath shame-anxiety lies concern with the esteem of one's own person in the social context, and therefore with one's worth in the eyes of others.

The fear behind shame-anxiety is the fear of rejection, withdrawal of love and loss of object; it represents a special form of separation anxiety. The reactions can range from avoidance of the revealing situation to physical inhibition and blocking (Jacoby 1991; Wurmser 2008). The defence mechanism of splitting and illusion formation may be used as a defence against the underlying shame-anxiety.

Comments made during the financial crisis often indicate that an increasingly complex financial world was no longer comprehended, and could not be understood by the majority of bankers or other specialists, let alone investors. During

the past two decades a wave of innovation has reshaped the market's work and seemed able to deliver huge benefits for all. But it became so intense that it outran the comprehension of most ordinary bankers and also regulators (Tett 2009).

Today this assessment is also made in private by financiers, but it would have been unthinkable to admit a few years ago that one did not understand the instruments one worked with. It was an unwritten law of the financial markets that this ignorance was neither to be named nor heard. Shame-anxiety may have been at the bottom of the disavowal of ignorance. Among the purportedly omniscient investment bankers this admission would have been akin to an exclusion from the ranks of 'the masters of the universe' – and would have involved a hard-to-bear narcissistic slight. Perverse pride resulting from the illusion of omnipotence and controllability of the system constitutes a further defence mechanism of shame-anxiety (Long 2008).

This shame-anxiety was felt also in executive suites, where nobody paid much attention 'because the risk manager said those instruments were triple-A' (Tett 2009: 9). Such statements demonstrate the rationalization of the inability to understand these products. According to an employee of Standard & Poor's in 2006, a computer already needed an entire weekend to make all the calculations required to determine the risk of a complex CDO (Tett 2009). Such complexity is unlikely to be understood using common sense alone. Shame-anxiety prevents the admission of one's ignorance. This has not changed, even though one of the causes of the financial crisis is known to lie in the complexity of the structured products private investors continue to buy. Derivatives and complex financial instruments are beyond the imagination of most people, including bankers, who act as though they understand, but in fact have only mastered basic mathematics and cannot readily assess the impact.

Dehumanization of relationships and instrumentalization of the other

With the use of splitting mechanisms and illusions, the perception of a difference between the self and the other can be avoided. Boundlessness and absence of difference make the other an extension of the self. The borders between the self and the other are not only not maintained, but destroyed. The basis of this is a narcissistic egocentrism: the pursuit of one's own interest, even to the detriment of the collective good, appears to be legitimate. This dehumanization of relationships, which can be understood as a lack of eros, is continued in the instrumentalization of the other. The other is used and employed merely as an object for the satisfaction of one's own interest. Respectful interaction and mutual giving and taking are not possible, only the use and abuse of others. This abuse is both perceived and denied. It underlies the character of a perpetrator–victim dynamic, which may also be described as the master–servant system cited by Hegel (1807/1988).

In the financial market crisis the instrumentalization of the other was one of the main features of the system and was practised at different levels. The mortgage brokers developed a ruthlessness regarding possible negative consequences of their actions: it was of no importance whether the customer was able to repay the loan or not; what counted was one's own commission. The mortgage bank was only concerned with the number of credits it could bundle and resell. For the commercial bank, which should have thought about the matching maturities of its customer, i.e. the mortgage bank, its own business was more important than default risks. If an uneasy gut feeling appeared, it was drowned out by pseudo-rational arguments such as 'others offer it, so we have to offer it too. This is how we gain market shares' (Blumberg *et al.* 2009a: 26).

As a result of the bundling and securitization, (investment) bankers no longer had a real relationship with the mortgage borrowers. They were merely a number in the spreadsheet. Also, they seem to have lost any feeling of responsibility for their own portfolio and that of their customers. Their own interests, i.e. their own business interests, were more important than those of their customers (Plender 2009). The institutional investors were in a similar situation. They normally invest their assets for and on demand of their investors, but concern for the 'other' behind the assets had long been lost. Also lost was an awareness of for whom the work was being done. One might speak of an 'estrangement of money'.

It appears as though the border between use and abuse is blurred in the perversion (Long 2008). When specific information is used to advantage the bank rather than the customer, is this simply a clever exploitation of the system or does it already represent an abuse of the system? The illusion of boundlessness constitutes another element of the perversion. The instrumentalization was such that existing regulations and control mechanisms were consciously circumvented and last loopholes were identified. Personal gain, therefore, took precedence over losses incurred for the general public, for whose protection these regulations had been developed. In the collaboration within the financial market industry, the other was merely viewed as someone who was either useful for increasing one's wealth, or might possibly prevent one from doing so.

The lack of eros, defined as the main characteristic of psychopathy by Guggenbühl-Craig (1980), can clearly be seen in each of the aspects described. Empathy with and consideration of the other appeared to be left aside in favour of striving for power, dominance and the maximal pursuit of one's own interests. The attitude of 'it-is-not-my-problem-if-the-other-goes-along-with-this' characterized large parts of the system and reveals a lack of eros and morals.

On the whole, this appears to be the expression of a general narcissistic tendency in society where the other is used as an extended self-object, while a genuine relationship with the other is often not achieved. Aspects of this narcissistic structure can be observed in the media (*Germany's Next Topmodel*, *Big Brother*, talk shows, reality soaps), consumer behaviour (individualization and customizing of products), spirituality (eclectic choice of useful building blocks from different religions) and music (virtuoso musicians are magnified into glamorous superstars), as well in all other areas of life. The illusion of the achievability of superstar status by everyone and the possibility of projective identification

appears to compensate for the loss of emotional bonding and relationships in the personal sphere of family and couple as well as in other 'micro-systems' such as communal structures, churches and clubs.

Avoiding perceiving the other and his or her boundaries represents a failure in the ability to differentiate and is generally associated with a limited symbolizing function (Wurmser 2002). The symbolizing function is, however, of crucial importance in the ability to differentiate between the perception of an object as self-object, and therefore as the extended self or as transitional object, and thus a third, symbolizing something else, or as actual object in the sense of the other.

Money as fetish

The role of the fetish has different aspects in perversion. While it serves the pleasurable satisfaction of the sexual drive on the one hand, it may also be understood as an extended self-object. Comparable to the use of the other as object, the fetish serves to stabilize and complete the self. It replaces that which is missing.

In the financial market crisis the fetishistic character of money becomes particularly apparent in CDS speculation. It found expression in the 'casino mentality' with a zest for betting in manifestly deregulated markets. This lust for gambling combined with instrumentalization and illusions of grandeur took on enormous proportions so that the instruments originally intended to serve as insurances had reached ten times the value of the actual underlying corporate bonds.

A broker explained this development: 'Around 2003/2004 I was getting increasingly nervous, because I could see how the CDS market changed from a very legitimate instrument into something *more hot-blooded and interesting*, although it also held much greater dangers' (Blumberg *et al.* 2009b: 41; italics added). It is precisely the term 'hot-blooded' that describes the lust in speculating with CDSs. In my view, CDSs and the CDS market represent the speculative-playful-lust attitude towards money.

However, not only were CDSs used as a fetish, but other investments, and money itself, have assumed more and more of a fetish character. The almost sensual zest for speculation, betting and gambling is immediately apparent in conversations with traders. But it also affects many private investors who speculate on the stock market. In the extended view of perversion, dealing with money and money products may be experienced as a sensation filled with lust. On the level of the system this pleasure has contributed to compensating for a lack of eros and the dehumanization of relationships.

Tucket and Taffler (2008) argue similarly when they come to the conclusion that internet stocks had the function of phantastic objects in the development of the internet bubble.

> A fantastic phantastic object 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. We might say that the fantastic phantastic objects allow individuals to feel omnipotent like Aladdin (who owned a lamp which could call a genie); or like the fictional bond trader, Sherman McCoy (who felt himself a Master of the Universe) [in *The Bonfire of the Vanities* (Wolfe 1987)].
>
> (ibid.: 88–9)

Aladdin's wonderful lamp functions like money itself and therefore also bears a certain resemblance to the pond that served as the mirror for Narcissus. The wonderful lamp has to be rubbed for a genie to appear and fulfil the owner's every wish. This is what money will do when it is spent to (hopefully!) fulfil the wish for beauty, prestige, power and influence, control, desire, and also lust.

The projection function of money (Nagel 2008) results from the possibility that it can be changed and exchanged, and thus enables the projection of unconscious wishes, needs, hopes and cravings on money. When the possibilities for projection on the basis of the archetypal qualities of money, which are represented by eros and power, come together with individual experiences and conceptions, the money complex develops (ibid.).

The money complex becomes effective because, as a self-object, money is able to reflect the 'borrowed ego' symbolically and thereby permits the identification with it. This mirroring – which corresponds to the mirroring of the child through the mother – also corresponds symbolically to the mirroring Narcissus experiences when he falls in love with his own mirror image in the pond. The bonding relationships which it was hoped would come into being through the described mirroring are replaced by money. Money is then used for projective identification purposes. With its help, anguish and hurt can be temporarily compensated. The bonding relationship money was to replace has, however, become impossible through the compensatory use of money, leading to a cycle of a lack of emotional relationships, compensation, and a new lack of emotional relationships (ibid.). The vicious circle of money characterizes the mechanism of perversion as a whole.

Cycle

A chain reaction of denial, self-delusion and possibly complicity develops, which leads to further denial, self-delusion and complicity in the sense of a cycle. Because these psychic mechanisms are linked with each other, it becomes difficult to break out of this cycle. One of these mechanisms is the denial of the passing of time; separation is avoided by eternal fusing, resulting in the 'eternal recurrence of the same' (Wurmser 2002: 19, referring to Nietzsche).

The current (non-)discussion of the societal rationale of the financial market crisis shows how difficult it is to break out of this cycle and to become aware of the perverse mechanism. A public debate of the perversion has not yet been initiated; the denial of reality and the splitting mechanisms have still not been discussed. The required review of the financial market regulation is somehow on its way but mostly still awaited.

To prevent any stepping out of this cycle, a scapegoat responsible for the financial crisis had to be found. This was readily achieved: the investment bankers and their greed. The scapegoat mentality in particular shows how rarely the issue of individual responsibility and guilt is broached. Denial, anger and finger-pointing instead of addressing the question of guilt may be understood as the continuance of the defence mechanism (PS/paranoid-schizoid – defensive instead of D/depressive and realistic) (Tuckett and Taffler 2008). From the point of view of perversion, this perverse cycle appears to continue and money as fetish does not seem to have lost its power.

Outlook

What has changed since the outbreak of the crisis? Banks were saved and rescue funds were issued, the bankruptcy law for banks in Germany was adjusted, some kinds of derivative transactions are no longer allowed in Germany, taxes on transactions might be introduced (the meaningfulness of which is disputed intensely), and rules and regulations concerning capital markets are the main focus of supposed necessary changes. The last of these especially seems to be very difficult because of the interconnectivity and interdependency of the globalized financial markets and also because of very different political opinions of the participating nations and their leaders.

Society has been minimally rattled; subjects such as values, morality and responsibility have been in the newspapers and talk shows, and their discussion has become more socially acceptable. But on further scrutiny no comprehensive reflection of the problem has taken place on either an individual or a societal level. The idea that the cause for the crisis could be a state of mind at a systems level has not been discussed; the discussion has stayed on the level of finding scapegoats (the bankers) and changing the rules and regulations regarding the financial and banking system. The insights into the background, especially into the almost unavoidable pull and the dynamics of this perverse state of mind that touches not only the bankers but also 'ordinary people', has been avoided and is probably part of the socio-dynamics.

Since 'money makes the world go round', this reflection should take place at the level of the financial elite, corporate leaders, bankers and entrepreneurs. But since denial of unpleasant interpretations is part of the problem, those who should realize these dynamics to effect some change are the least likely to do so. The insights and necessary changes will rather be avoided.

This leads me to think that maybe only a concrete physical experience, for example having to reduce consumption significantly, to save and to spend less (this seems to be a rather likely economic development in Western countries), can create the suffering necessary to develop a deeper understanding of what the next steps might be.

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