The many proponents of high-frequency trading keep saying there’s no reason to be concerned about a rogue algorithm sparking a 1987 market-style crash. HFT supporters keep saying show us a case where a rogue algo even caused a minor hiccup in the market.

Well, Bernard Donefer, a professor at CUNY’s Baruch College in New York City and a critic of highly-automated trading programs, says the world already has gotten a glimpse at the kind of mayhem a rogue or simply a misfiring algo can cause.

Donefer, in a soon to be published research paper, blames high-frequency traders and an algo gone wild for a bizarre $9 drop in United Airlines’ stock on Sep. 8, 2008. The sudden plunge in UAL shares wiped out $1 billion in market value in just 12 minutes, after a six-year-old headline about the airline filing for bankruptcy erroneously hit some news wires.

The airline’s stock quickly recovered after it was determined that the bankruptcy story was an old, old story. But Donefer argues the percipitous drop in UAL shares “was mostly the result of the interplay between the algorithms that search and compile information from the Web and the ones that Wall Street firms and hedge funds use to make trades automatically.”

This is an isolated case, but Donefer says it’s only a matter of time before an event like the UAl one—or a series of events in which algos go wild—sparks a widespread market crash.

Will we see an event caused by algos gone wile in our markets? I believe it is inevitable. I am further convinced that with no planning…or regulatory framework it will be hard to stop. With unfettered or naked access, it might impact the viability of a broker.

This is the doomsday scenario I wrote about in my column Wall Street meets The Matrix. It’s also the kind of computer-driven catastrophe that the folks at Zerohedge.com and Joe Saluzzi of Themis Trading have been warning about.

The trouble is I’m not sure the Securities and Exchange Commission and other regulators are paying serious attention the growing list of high-frequency trading Cassandra.

Bonus feature: Here is an earlier paper from Donefer in which he writes about the risks posed by algos gone wild.

UPDATE: Donefer points out that his soon-to-be published paper on UAL relies heavily on The New York Times version of events surrounding the plunge in the airline’s shares.