

Immoral Business? Perspectives on Speculation, Speculators, and Scandalous Profits

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Every time popular media deals with the ongoing financial crises one figure is never missing: the speculator; nobody seems to be sure about what is done, how one national economy after the other is harmed, but that the speculator is the guilty guy appears to be obvious for everyone. He is the one who gets rich and richer while the rest of the people has to pay to rescue what remained of its social security system, its banks and its economy.

To follow a more scientific, interdisciplinary and intercultural approach was the aim of the second conference on speculation in Hanover.¹ In his introduction KIM CHRISTIAN PRIEMEL (Berlin) highlighted the enormous potential of speculation for offering good entertainment. Summing up some of the most prominent films and novels dealing with speculation Priemel asked for significant changes in the perception of speculation. From the starting point of fictional encounters with speculation Priemel went further by asking when an investment becomes speculative. A question that was discussed on several occasions during the conference considering the normative and morale frameworks of the epochs and regions the participants were dealing with.

In his keynote lecture AARON Z. PITLUCK (Budapest) discussed the question, if Islamic banking and finance could be a way to solve the problem of speculation. Although its critics often state that Islamic finance is not more than a mere façade which should conceal that the actual transactions are not much different from the way the traditional western financial system functions, Pitluck declared that there is more about it. *Riba*, the ban of making money from money, and *Gharar*, the prohibition of trades with uncertain or contingent objects, makes it impossible to gain speculative

profits. For him Islamic finance is therefore a hint that a speculation-free financial system is possible. In the discussion the question, if one could compare Islamic finance to other forms of social responsible investment, was raised; maybe e.g. to the German system of *Genossenschaftsbanken* (cooperative banks). Another question was, if the fact that Islamic finance is speculation-free could be the reason for its specific economic underdevelopment.

The first regular panel dealt with the language of speculation and the question how speculation was narrated in their times and which – especially moralistic – consequences derived from the way people talked about the phenomena. PETER KNIGHT (Manchester) analyzed American novels and economic literature from the Gilded Age to show in which way the speculator was portrayed. Despite the fact that speculation became rehabilitated to a certain degree at that time by substituting the image of gambling for a model of a nearly scientific approach to deal with information (mainly by professionals), the image of the speculator as a person did not change in a similar way. His real ambition was to minimize risks (and maximize his profit) by gaining, controlling and even manipulating as much market-information as possible; in the fictional portrayals of speculators they often figured as Darwinian types of superhumans who were able to stifle their emotions by pure manliness. This mismatch between the popular image and the reality of speculation is present in the discourses about speculation until today.

In her paper LEIGH CLAIRE LA BERGE (Saint Mary's) discussed more recent events: The savings and loans scandals in the USA in the 1980s. Her ambition was to show how language and narrative constitute and circumscribe financial eventfulness. Analyzing her sources which mainly derived from financial print culture, she focused on the term 'complexity' which was the main description commentators used at that time to describe

¹For the first conference on speculation see Sebastian Teupe: Tagungsbericht *Spekulation und Spekulant* in wissenschaftlicher Perspektive. *Dimensionen eines umstrittenen Phänomens*. 26.11.2010-27.11.2010, Hannover, in: H-Soz-u-Kult, 11.01.2011, <<http://hsozkult.geschichte.hu-berlin.de/tagungsberichte/id=3478>> (20.04.2013).

what was going on in the financial world. La Berge's observation was that the dematerialization of money – symbolized by the Automated Teller Machine (ATM) – found its expression by using more and more the language of the emergent postmodern literary theory of the period to describe what was actually going on. The fictionalization of financial transactions in the 1980s and especially the use of the term 'complex' (as a performative term) exempted the observer from further investigating and marked for La Berge a new way to talk about the financial sector in total.

The second panel was dedicated to the question how speculation was presented in economic advice books in their different times. In the beginning MICHAEL BUCHNER (Regensburg) analyzed Proudhon's *Manuel du spéculateur à la bourse* (first edition 1853). Quite astonishingly the famous anarchist thinker presented the speculator as someone who devotes his intellectual activity to something economically productive. Speculation for Proudhon is one of the four different factors of production (the other ones are labor, capital and commerce). Neglecting an older moralizing language of speculation, for Proudhon speculation was quite similar to what might today be called „entrepreneurship“.

Even though Proudhon called his book on speculation a 'manual' it was not so much a book of advices for someone planning to become an active part in the business but rather a theoretical apologia of the speculator as a social type. CAITLIN ROSENTHAL (Harvard) presented in her paper manuals from a different sphere: bookkeeping! With morally loaded language, bookkeeping instructors like Ira Mayhew presented their activities as the foundation of honesty because clean and tidy balances were seen as the only way to stop the corruption of information in the 19th century. Bookkeeping as a product of disciplined and hard work was interpreted as a source of order in an era of economic instability.

CATHERINE DAVIES (Berlin) examined manuals that were directed to people who wanted to enter the speculation business in the 19th century. In her analysis she detected three different kinds of arguments that

were often brought forward in the discourse of speculation at that time: At first speculation was presented as an activity involving risks. Secondly, speculation was depicted as something quite universal. And the third important point Davies discussed, was that speculation was portrayed as an opposition to mere gambling. While good luck is the only way to succeed in gambling, speculation is based upon rational calculation on the one hand and bold and fearless action on the other. Beside these arguments for the legitimacy of speculation the only practical advice one could find in these manuals was merely „to buy cheap and sell dear“.

In the third panel „Scandals and the Images of Speculation“ JOSEPHINE MALTBY (York) and JANETTE RUTHERFORD (Milton Keynes) shed a light on the question of gender concerning speculation. Looking at their sources, mainly English and French fiction from the 19th century, they developed quite interesting differences. While women became more and more important as investors in the course of the century in England, they were still portrayed as victims of the bourse who must be protected by masculine rationality to outweigh the female ignorance of stocks and shares. In France the picture was much more differentiated. Of course, we can find the cliché of women as victims as well, but female seductresses of innocent men, now making even more risky investments, and women as independent and successful actors at the stock exchange, as well.

In his paper KARL CHRISTIAN FÜHRER (Hanover) examined one of the most prominent speculation related scandals in the Federal Republic of Germany. Until his suicide in 1985 Günter Kausen, the „ugliest German since Hitler“ as one American newspaper called him, was one of the best known speculators in estates of his time – with a simple but effective formula for success: buy cheap, raise a mortgage, make the tenants pay the mortgage and use the money to buy another building. Using his tenants' ignorance of their rights, Kausen forced them to leave his buildings, replaced them with migrant workers and made even more money. When (in 1978) he tried to expand his business to the USA his star was waning. Finan-

cial problems and the different American estate market caused the real estate bubble to burst.

The fourth panel was dedicated to Institutions founded against speculation. In their paper CHRISTINA LUBINSKI (Washington DC) and LAURA RISCHBIETER (Berlin/Washington DC) analyzed the discourses about future trading in two very different societies: Germany and British India in the late 19th and early 20th century. Quite surprisingly the discourses were much more similar than one might expect: In both cases the main morale-based critique was that only a small group of people had built a tight network with a strong grip on the means of information and transportation – not allowing anyone else to enter the market. But while in Germany in 1896 the Exchange Law Act (*‘Börsengesetz’*) was installed there was nothing comparable in British India. The authors argued, that in India the *Marwari* were able to separate their behavior successfully from all kinds of gambling or speculation. This very professional lobbying made it possible to present themselves as a community of respectable businesspeople.

ALEXANDER ENGEL (Göttingen) and BORIS GEHLEN (Bochum) took up the question of the German *Börsengesetz* as well and compared the German regulatory system with its US-American counterpart at the same period. Their main observation was that especially after speculative overtrading a radical institutional change was often demanded but seldom implemented. While Germany had a functioning instrument against overtrading in the *Börsengesetz* from 1896, it took much longer to formulate something comparable in the United States. When they finally did – after the 1929 crash – the US legislation did not follow the German role model. In lieu of the relatively weak supervision in Germany, which bestowed most of the regulation on the self-governing bodies of the exchanges, in the USA the state stepped in by implementing the Securities and Exchange Commission in 1934.

Using Schumpeter’s dictum of „constructive destruction“, ANDERS PERLINGE (Stockholm) discussed the speculative building boom in Stockholm 1896-1908. With the

liberalization of the building trade in the middle of the 19th century more and more people tried to gain profits from the growth of the Swedish metropolis – in many cases without owning enough financial resources to be able to pay for the houses they were building as master builders. When capital became scarce in the beginning of the 20th century, interest rates went up and more and more master builders became unable to pay their workers and materials. Many, and especially the most irresponsible ones, went into bankruptcy, leaving the market and creating improved conditions for the remaining master builders.

The last panel dealt with the question on how to avoid speculation. PATRICE BAUBEAU (Paris) discussed how the Banque de France reacted to speculative behavior in the 19th century. By its monopolistic position in the circulation of banknotes the bank was able to gain a consequent profitability with high value shares – it therefore became an object of the worst among speculative practices. But public critique grew, especially when the bank’s profits went up exactly at the times of economic crises. In the late 19th century a new statute was formulated which aimed at capping the bank’s profits and driving its operations towards general-interest goals opposed to lucrative ones.

CHRISTOPHER KOPPER (Bielefeld) analyzed speculation under the Nazi regime. While in their propaganda since the 1920s the Nazis did everything to condemn any form of speculative behavior they soon changed their opinion to a certain degree. To prevent an alienation of the important group of small and mid-size business men they softened their anti-speculation rhetoric, focusing on its anti-Semitic subtext. Kopper discussed the difficult question, if we should consider aryanization as speculation in detail. For him some of the main elements of speculation are missing: First, most of the people who undertook these transaction did not want to make short-time profits but tried to keep these assets over a longer period of time. Second, there was no higher risk involved than in regular economic transactions – but much higher profits.

The conference offered several insights in speculative behavior in different regions, cul-

tural contexts and epochs. A wide range of practices which were regarded as speculation and the very different means to fight its most scandalous forms were presented. The changing perceptions of speculations were always linked to changes in the economical field and in the relationship between economics and people. Therefore the analysis of speculative practices, scandalous profits, and discourses about the immorality of special kinds of business transactions could be used as probe heads for a cultural history of economy. Or, to phrase it differently, especially the occupation with its scandalous and sometimes even criminal margins could offer new insights in economy's 'normality'.

Conference Overview:

Welcome and Introductory Remarks: Cornelia Rauh (Hanover), Karl Christian Führer and Kim Christian Priemel (Berlin)

Keynote: Aaron Z. Pitluck (Budapest): Does Islamic Finance Elude Speculation? And what are the Implications of this for this conference's 'Moral Business' Project?

Panel I: Talking Speculation. Theories and Languages of Speculation

Peter Knight (Manchester): Speculation and Insider Trading in the Gilded Age Century America

Leigh Claire La Berge (Saint Mary's): Speculation and Complexity. The Case of the Savings and Loans Scandals, 1984-1994

Panel II: Recipes for Speculation. Advice and Expertise

Michael Buchner (Regensburg): Speculation – an (un)productive Business? An Analysis of Pierre-Joseph Proudhon's „Manuel du Spéculateur à la bourse“

Caitlin Rosenthal (Harvard): The Speculator and the Winebidder. Accounting for Morality in Nineteenth-Century America

Catherine Davies (Berlin): Knowledge and the Art of Speculation in 19th Century Investment Manuals

Panel III: Scandals and the Image of Speculation

Josephine Maltby (York) and Janette Rutherford (Milton Keynes): Speculation and the 'female principle'

Karl Christian Führer: „The ugliest German since Hitler“. Günter Kausen

Panel IV: Speculation as Catalyst. Institution Building

Christina Lubinski (Washington) and Laura Rischbieter (Berlin/Washington): Between Speculation and Gambling. Regulation and Public Debates on Future Trading in Germany and British India, 1890-1930

Alexander Engel (Göttingen) and Boris Gehlen (Bonn): Speculation – a Trigger for Institutional Development? Lessons from the USA and Germany, 1870s to 1930s

Anders Perlinge (Stockholm): The Bubble that Burst. A Speculative Building Boom in Stockholm, 1896-1908.

Panel V: Avoiding Speculation?

Patrice Baubeau (Paris): The Banque of France and Socially Acceptable Speculation during the 19th century

Christopher Kopper (Bielefeld): Speculative Behaviour in Nazi Germany

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