

Stuart Banner, *Speculation: a history of the fine line between gambling and investment*. (Oxford: Oxford University Press, 2017. Pp. xii+335. ISBN 9780190623043 Hbk £19.99 \$29.95)

The 2008 global financial crisis has renewed and sharpened the debate over the role of finance in the economy. Various observers, including Warren Buffett, have complained that the financial sector has become too big, and is gathering an inordinate share of corporate profits. Some economists are arguing that the growth of finance has inhibited growth, while populists claim that this industry is engaging in fleecing the naive and increasing inequality by producing complicated products that leave risks with those least able to bear them.

Stuart Banner's book provides a colorful historical perspective on many aspects of this controversy in the United States. The focus is on the extent to which people should be allowed or even encouraged to engage in risky financial behavior. This issue is viewed from the legal perspective. There is a long history to cover, as the basic dilemmas long predate the interesting exchanges George Washington had with Hamilton and Jefferson in the wake of the 1792 financial crash (pp. 35–37), exchanges that sound very much like modern ones. The product of deep and broad historical legal scholarship, this book is very informative, well documented, and a pleasure to read.

Banner provides extensive coverage of the early controversies about futures trading in agricultural commodities and financial securities, and the many moves to control the perceived evils of such practices. This played out against broad changes in social perceptions. For example, the author writes of the attempts to limit speculation in gold during the Civil War that '[e]veryone agreed that gambling was bad and that commerce was necessary. The difficulty was in telling the two apart' (p. 55). But in some periods some observers have argued in favor of gambling, and its acceptability has varied tremendously over long periods.

This work is likely to be a very useful source for historians, economists, legal scholars, regulators, and journalists. Whether they are looking for a colorful quote or for pointers to original sources, they are almost certain to find something relevant here. The general public may also find this book an enlightening read.

A clear conclusion emerges from this work, namely that conflicting pressures have always been at work in this area. Hence no definitive resolution is likely. Further, many measures that are frequently touted as solutions to perceived problems, such as increased transparency, have been tried many times, and have never been sufficient by themselves.

While valuable, *Speculation* has substantial limitations as a standalone scholarly contribution, especially from the point of view of economic historians and policy makers. The author relied for sources primarily on court decisions, and secondarily on political debates. He allowed economic issues to be expressed primarily by the partisan voices that were involved in the arguments. There is very little quantitative information, and some that is included is likely to raise suspicions of the soundness of the work. For example, there is a statement (p. 164) that the companies listed on the New York Stock Exchange were worth \$90 million on the eve of the Crash of 1929, a result of the common difficulty many people

have in distinguishing millions from billions. In general, there is little about the size of the futures markets that are discussed, or how big a role they played in the economy.

Yet another limitation of this book is the concentration on the United States. There are a number of references to the British experience, as is natural, since the American legal system was derived from the British one. But even those references are primarily to the early period, and even those leave many questions open. For example, British colonies in North America had a history of conflict with London on a variety of issues, leading eventually to separation. Were there noticeable differences between the two sides of the Atlantic in treatment of speculation? Further, if we look beyond the Anglo-Saxon sphere, do we find that continental Europe was much different?

As the book shows, many attitudes towards speculation in the U.S. and in UK were shaped by religious concerns. Do we find any similarities or contrasts when we consider other traditions? Japan would be an especially interesting comparative case, as it was the birthplace of some of the earliest futures trading, back in the seventeenth century.

One could also ask for a deeper and more extensive consideration of the attitudes towards insurance and pure gambling. Just three centuries ago, both were often castigated as immoral and dangerous to society.

In summary, this book is a very valuable resource for investigators of the American attitudes and policies towards risky financial behavior. But it has its limitations, and should not be treated as a comprehensive treatise on the subject.

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