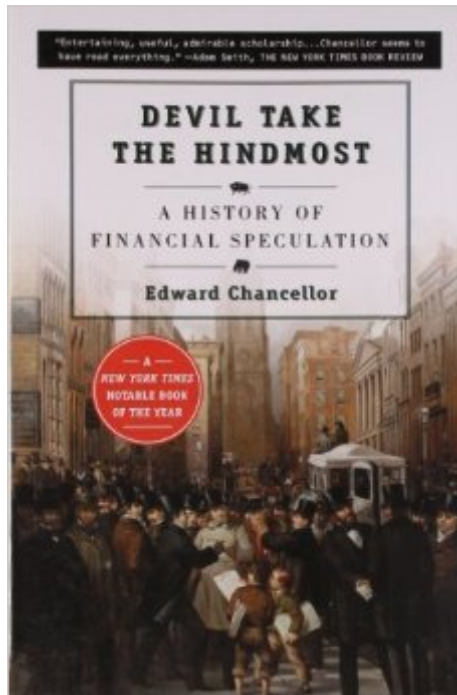


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Devil Take The Hindmost: A History Of Financial Speculation



Synopsis

Is your investment in that new Internet stock a sign of stock market savvy or an act of peculiarly American speculative folly? How has the psychology of investing changed--and not changed--over the last five hundred years? Edward Chancellor examines the nature of speculation--from medieval Europe to the Tulip mania of the 1630s to today's Internet stock craze. A contributing writer to *The Financial Times* and *The Economist*, looks at both the psychological and economic forces that drive people to "bet" their money in markets; how markets are made, unmade, and manipulated; and who wins when speculation runs rampant. Drawing colorfully on the words of such speculators as Sir Isaac Newton, Daniel Defoe, Ivan Boesky, and Hillary Rodham Clinton, *Devil Take the Hindmost* is part history, part social science, and purely illuminating: an erudite and hugely entertaining book that is more timely today than ever before.

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Customer Reviews

A wizened wag at an investment firm once warned me to start looking for the sell tickets as soon as I heard the words "This Time is Different." In my short experience as an investor, it was some of the most sage advice I have received. Edward Chancellor's book arrives at the same conclusion but provides more foundation to recognize the bubbles of speculation. Investment bubbles never change. Yet, for the investor or trader caught up in one, they remain difficult to identify. According to modern economic theory, markets are efficient and speculators are rational opportunists intent on maximizing their wealth. Chancellor, a former investment banker and historian, disagrees. More than fear and greed drives speculators, they are motivated by deeper compulsions and aspirations.

Speculation, he says, can only be understood within a social context and that its history cannot be a simple description of economic affairs. It is important to understand the behavior and attitudes of politicians, since the laws governing markets are written and enforced by governments. He traces the origins of speculative fever back to ancient Rome and follows the thread through Holland's tulip mania in the 1630s and London's stockjobbers 70 years later. The book ends with an insightful analysis of the Junk Bond era here in the United States, the Japanese bubble and the near collapse of Long Term Capital Management. It is a must read for every serious investor.

The heading for one chapter of Edward Chancellor's fine book quotes the investor Sir John Templeton: "The four most expensive words in the English language are 'this time it's different.'" Templeton's words sum up the most important lesson to be learned from this outstanding history of speculation, which focuses in particular on those manic episodes called bubbles, in which the prices of assets are driven to levels far above those justified by the assets' underlying fundamentals. Chancellor's account, while not a comprehensive study of speculation, thoroughly examines major speculative periods from the tulip mania of the early 17th century, to the Japanese "bubble economy" of the 1980's. Three repeating motifs characterize these speculative episodes. First is the irrationality of financial markets, especially the way in which people of all eras are susceptible to the euphoria which inflates a bubble. Second is the constant recurrence of manipulation of markets by the greedy and unethical, the likes of Jay Gould and his associates. The third and most important theme is the existence of parallels between past speculative bubbles and conditions in our own time. Chancellor convincingly argues, for example, that the internet mania of today is similar in many ways to the British railway bubble of the 1840's. I strongly recommend this book to anyone with an interest in financial markets or their influence on history. The only, slight caveat I would offer is that it helps a reader to have at least some knowledge of the language of financial markets, as Chancellor at times tosses terminology at readers without offering a clear definition.

How can one justify the current market valuations of money-losing Internet ventures, and even of some 'blue-chips' trading at 50+ times earnings? One would be surprised to find some of the most eye-opening answers to this question in the investing behavior of ancient Romans, 17th century Dutch, Victorian Englishmen and Gilded Age Americans. That's why this book is excellent reading for those who believe human nature is remarkably uniform when it comes to greed and financial speculation. On the negative side, the author sounds too 'opinionated' sometimes, as when he

implies that the recent rebirth of classic economic thought and monetarism serve merely as intellectual "window-dressing" for a wave of perverse speculation. Were it not for this minor fault, I would certainly rate it a 5-star book. Read it and enjoy.

Chancellor's book is a highly entertaining history of market speculation taking in everything from the Tulip Mania of 17th century Holland and the English South Sea Company bubble to Japan in the '80s, the Savings and Loan Rip Off, Michael Milken's Junk Bonds, the Long Term Capital Management fiasco and the Internet craze of the late 1990's. Chancellor even covers the 90's art market. One constant stands out about market piracy: what is new is old - only the names and games have changed. Markets have always been manipulated and always will be. The reforms that follow in the wake of each bubble plant the seeds for the next. Often because the legislators who enact the reforms are beholden to those positioned to benefit from the loopholes. There are several phrases that seem to pop up with every bubble: "This time it's different." "It's too big to fail." "The business cycle is no more," or some nonsense about reaching a plateau of permanent prosperity. Reading this book will make you think twice about investing in the market. It'll make you doubt the foundation of the efficient market hypothesis. It'll show how often the experts are wrong. It'll show how often Nobel Laureates in Economics turn out to be fools. It will make you think three times about investing in Japan. Four times about investing in Latin America. And you'll run away screaming from derivatives of any stripe. In fact, one wonders why the whole shooting match hasn't imploded yet, ala Baring's Bank or LTCM. Devil Take the Hindmost is a fun read. More important, the next time a Mania strikes - and it will - this book and a general understanding of the history of speculation just might just save you from rushing over the cliff with all the other lemmings.

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