

# Every Man A Speculator: A History of Wall Street in American Life

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There is not much to see these days on Wall Street, a landmark that famously runs “from a river to a graveyard” in lower Manhattan. Though a virtual Wall Street lives on with full pomp in metaphor and public imagination, no major financial institutions have been headquartered on the actual street since 2001, when JPMorgan Chase left. In fact, at night or in bad weather, Wall Street is practically deserted — except for people using the many subway entrances.

Nevertheless, a perception of Wall Street as the financial center of the universe remains. The American Heritage Dictionary wastes no words on geography, simply defining “Wall Street” as “the controlling financial interests of the United States.” Moreover, a “Wall-Streeter” is a well-understood description, and you can tell a lot about a person by whether he or she reads the *Wall Street Journal* or *USA Today*.

In *Every Man A Speculator: A History of Wall Street in American Life*, Steven Fraser explains the history of the Wall Street that exists in the popular American mind.

Though the perception of the Street has changed surprisingly little in more than 200 years, the real Wall Street (both physical and virtual) has experienced constant revolution.

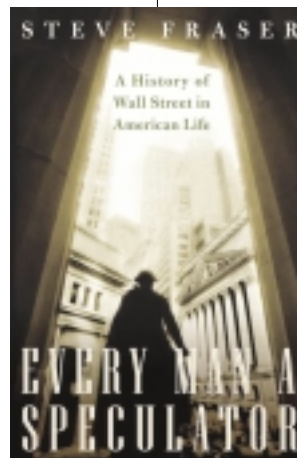
In the late 1700s, there were a variety of viewpoints about Wall Street. One school of thought worried that Wall Street encouraged unethical and economically empty transactions and thereby corrupted the people who worked there. This could have been called the “weak/personal bad” theory. The “strong/social bad” attitude, in contrast, was that Wall Street contained the seeds of a new aristocracy — a financial elite who would replace the British elite and would use high interest rates, volatile

commodity prices, paper money and fraud to keep Jeffersonian farmers in thrall.

There was also a “strong/social good” theory that promoted the idea that Wall Street would funnel European capital to American innovators. Combined with new world resources, energy and freedom, this capital would make the United States an economic power, according to this theory.

In addition to the aforementioned theories, there was a “weak/personal good” viewpoint that was based on the belief that Wall Street was a democratic place where the lowborn poor with talent could rise above the wellborn idle rich.

All four of these views were fully developed before the 19th century began, and individuals often held more than one view simultaneously. Interestingly, with minor adjustments, it’s easy to find proponents of all four views — plus assorted combinations — today.



## Dissecting Public Attitudes

*Every Man A Speculator* is a cultural rather than a financial history, so Fraser ignores primary documents in favor of books, songs, plays, orations and other popular entertainment. In many (but not all) cases these were written by people far removed from Wall Street, and such broad outlooks generally fail to distinguish among securities trading, investment banking, lending, trade financing and other financial activities.

This can be frustrating to a financial professional. But on the other hand, understanding public inclinations toward Wall Street requires realizing that distinctions that are crucial on the Street can be invisible from a distance. When a financier is convicted of insider trading, tax evasion, fraud or obstruction of justice, for example, many people remember only that financial equals criminal.

Such misperceptions actually date all the way back to Wall Street's first century, from the buttonwood tree to the Gilded Age — or roughly 1790 to 1890. Wall Street was not central to world finance, not even to US finance. Philadelphia, Boston and New Orleans had financial districts that were peers of New York's. European financial houses dwarfed anything in the US. Moreover, the government was so central to finance in the 19th century that more important events happened in Washington and Albany than in any financial district.

Wall Street itself was very important in the development of New York City, and Fraser's book artfully mixes specific Wall Street material from New York with general business and financial material from the rest of the country. During the Gilded Age, it was hard to find much rational support for either of the strong Wall Street theories. So people

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mostly argued about whether the Street encouraged corruption or social mobility. Unfortunately, this section of Fraser's book was very familiar; similar stories have previously been told by other authors in more insightful ways.

But while Fraser's analysis of Wall Street's first century fell short of expectations, his explanation of the subsequent 30-year period was excellent. From 1890 to 1929, Fraser explains, Wall Street shifted its emphasis from securities trading to investment banking. It became powerful and arrogant. By this time, the weak Wall Street theories seemed outmoded. It seemed obvious that bankers were taking over the world: the question was whether they were doing it for themselves or for the US. Economic issues dominated politics and "Eastern money interests" struggled against populism. This is the strongest part of Fraser's book, due to the quality and variety of public opinions about finance.

The Great Crash of 1929, of course, changed everything. It shattered the idea of a strong Wall Street, and the scan-

dals uncovered by the ebbing tide of stock prices knocked over the "good" theory.

In 1933 and 1934, the federal government remade the Street. Banks were forced to split their investment from commercial banking operations, companies were forced to report directly to shareholders and dozens of long-established financial practices were declared crimes. At the time it seemed as if the Street would fade into insignificance and have few mourners. In fact, however, these events ushered in an even more powerful period for Wall Street — though it was accompanied by less arrogance (or at least, quieter arrogance).

In the half century between the Depression and the beginning of the great bull market in 1982, Wall Street was not prominent in the public mind. "Stock broker" conjured up images of people jumping out of windows; "underwriting," of insurance; and "banker," of the fat guy in the top hat in Monopoly™.

However, Fraser has unearthed some very interesting exceptions to this neglect. Public attitudes were evolving in surprising ways. As far as I know, no one has traced these trends before, partly because they were so far from the glare of attention.

Since it is nearly impossible to cover the more recent history of Wall Street, this book could have ended in 1982. Fifty years from now, someone may be able to sort out today's public attitudes about Wall Street, but the events of the past 23 years have been plentiful, and we've not really had time to digest them. Consequently, attempts to sort out attitudes about contemporary Wall Street are usually either so selective as to be an opinion piece or so inclusive as to be incoherent. But Fraser somehow manages to cover the post-1982 Wall Street evolution in a fairly objective, coherent fashion.

Overall, *Every Man A Speculator* was an enjoyable read. Someone who knows little about the history of finance will enjoy the entire book. Most people will benefit from its authoritative account of the Wall Street period from 1890 to 1929, and it is the only good source I know of for the period from 1929 to 1982.

Since public attitudes toward finance are very important in assessing risk, Fraser's book is also an important read for risk managers. Though it's easy for risk professionals to dismiss public attitudes, they are often sophisticated and accurate — sometimes more so than the close-up view of experts. Moreover, right or wrong, these sentiments determine which disasters are survivable, and which ones result in bankruptcies and jail. In fact, misunderstanding public predilections can mean criminal penalties for practices that professionals may have previously deemed both honest and profitable. ■

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