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World insurance: the evolution of a global risk network

Luis Lobo-Guerrero

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BOOK REVIEWS

World insurance: the evolution of a global risk network, edited by Peter Borscheid and Niels Viggo Haueter, Oxford University Press, 2012, xvi + 729 pp., £95.00 (hardback), ISBN 978-0-19-965796-4

As Frank C. Spooner noted in 1983 (*Risk at Sea: Amsterdam Insurance and Maritime Europe, 1766–1780*, Cambridge, Cambridge University Press), it was insurance and not war or diplomacy that made possible the opening of the markets in the Far East in the first decade of the seventeenth century. Travelling with traders, insurance not only enabled venturing into unknown markets but also began to effect the globalisation of a rationality of thinking and managing uncertainty as risk. Insurance, more than a financial instrument, is the embodiment of a rationality of thinking and managing uncertainty, a crucial element for the understanding of Western globalisation in the modern period.

World Insurance contributes a rich and diverse history of how insurance has constituted and developed a global risk network. Looking at the evolution of that network it is possible to read a history of the globalisation of risk as a cultural element. As put by Peter Borscheid in the introduction to the book, '[t]he history of insurance is the history of a cultural export, as much as one of finance, great inventions, and the exploits of pioneering enterprises' (p. i). It is not, however, an uncontested history of economic and cultural colonisation as the cases of Japan and India in this book clearly demonstrate. It is also a history of how economic and social change has been capitalised by insurance entrepreneurs and companies in relation to issues such as population growth, evolving urbanisation, industrialisation and mechanisation (p. 16).

The book also gives a history of how war disrupts global insurance. It helps us understand how war efforts, representing an alternative logic to the collective understanding and management of risk, disrupt the principles of free trade upon which internationalised insurance flourishes (Lobo-Guerrero, *Insuring War: Sovereignty, Security and Risk*, London, Routledge, 2012). It provides great detail on how states have intervened in the framing and running of insurance markets. More importantly, it complements an effort already advanced by some of the authors in this volume as well as others of providing a comparative historical landscape with which to understand the nuances of the globalisation of insurance (Borscheid and Pearson (eds.), *Internationalisation and Globalisation of the Insurance Industry in the 19th and 20th Centuries*, Marburg, Philipps-University, 2007).

A particular strength of the book is its focus on international insurance practices rather than the traditional emphasis on institutions. This provides a thick empirical base from which to advance further scholarship on how different international insurance experiences relate to slightly different rationalities of risk, a picture for which we still require a much greater degree of historical resolution. Such work begins to provide elements from which to understand spheres such as 'the international', not as a matter of the interaction of states and inter-state institutions as the single most important units of analysis, but as spaces in which collective uncertainties are understood and governed. In this respect,

World Insurance makes an interdisciplinary contribution that transcends the interdisciplinary diversity of its authors.

As any successful project, this book serves as an inspiration to develop yet more detailed, diverse and richer accounts of how insurance has been by definition a global practice. It invites reflections on how the globalisation of risk that results from world insurance has interacted with vernacular understandings of uncertainty and danger and of how alternative non-Western models of 'risk' have developed in different historical experiences.

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A nation of small shareholders: marketing Wall Street after World War II, by Janice M. Traflet, Baltimore, Johns Hopkins University Press, 2013, xi + 242 pp., \$45.00 (hardback), ISBN: 978-1-4214-0902-3

Although the title suggests that the book's coverage deals with only the post-war period, Professor Traflet's important study discusses the history of public relations at the New York Stock Exchange (NYSE) from the start of the twentieth century to the early 1970s. Traflet ably relates the NYSE's management of its image to a fundamental shift in the nature of American capitalism in this period. In the early twentieth century, ownership of equities had been restricted to a tiny elite. Today, a large minority of American adults own shares. Traflet persuasively argues that successful marketing and public relations contributed to this shift, along with other factors such as the securities legislation passed during the New Deal, the long post-war bull market, and tax policies that incentivised this form of investment.

Traflet shows that in the aftermath of the 1929 Crash, relations between the NYSE and the public were marked by mutual antipathy. Many small investors blamed Wall Street manipulators for the loss of their savings. Populist politicians indulged in a round of Wall Street bashing. In the 1930s, the lucky minority of Americans who had any savings to invest steered away from stock. For their part, many Wall Street insiders blamed the 1929 Crash on novice investors who had purchased stock in the 1920s. In its aftermath, the NYSE discouraged stock purchases by ordinary Americans, who were labelled as irrational and thus likely to cause wild swings in the market. Thomas Lamont of J.P. Morgan and other members of the 'Old Guard' faction within the NYSE condemned purchases of shares on margin, which had been widespread during the 1920s. The erosion of 90% of equity values after 1929 was a blow for the so-called Reformers, the rival faction within the NYSE. The middle of the 1930s saw the Pecora hearings into Wall Street, the creation of the SEC, and the breakdown of the previously cordial relations between the NYSE and the White House. Many members of the NYSE came to regard FDR as a dangerous socialist. Within the NYSE, there were internal power struggles. The fraud conviction of NYSE President Richard Whitney, a member of the Old Guard, allowed the so-called Reformers to gain the upper hand. During the New Deal and the Second World War, the NYSE's role in the allocation of capital in the American economy dwindled in relative importance.