The cannibal club
How Victorian anthropologists tried to defraud the financial markets

IRA BASHKOW
Marc Flandreau
ANTHROPOLOGISTS IN THE STOCK EXCHANGE
A financial history of Victorian science
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The new novel by the author of
In Praise of Older Women & An Innocent Millionaire.

“Are you listening?” she asked suspiciously.
“I’m all ears,” he said, all eyes.

“It is the story of our lives: old wounds heal, new ones open.”

“People keep secrets only until they run out of things to say.”

“Hatred has a million eyes.”

“You turn your head and a decade is gone. You try to understand how it happened, and that’s another decade.”

“He was ready to die that very night, but the universe has a say in what happens to us.”

“They had their new-born baby girl with them in the cattle cart to Auschwitz. They put their photo inside the folds of her bundle and pushed the bundle through an air hole. My mum used to look at that photo for hours.”

“Millions would go mad with grief if they weren’t saved by their daily tasks.”

“Truths are constantly forgotten and constantly rediscovered, which is why history is not a straight downward slide to hell, but a rollercoaster.”

“Life is so full of surprises that anything could happen, even something good.”

When the American railway engineer George Earl Church visited La Paz in 1868, it was to lay the groundwork for a grandiose scheme to build a railway through Bolivia’s rainforest border with Brazil, allowing its natural resources to be exported via the Amazon River. After several more stops, Church was in London where he got himself elected to the Royal Geographical Society, lending a sheen of scientific credibility to what was in fact a financial scam. No railway was built, but the scheme was a marvel of financial engineering. After Church signed the loan contract in Bolivia’s name, bonds to fund the loan were sold to English investors. These bonds traded on the London Stock Exchange.

Church promoted the scheme by paying journalists for favourable coverage and courting endorsements, while his banker allies rigged the market to create a rising trend in the bonds’ published trading prices, a false pretense of further gains to “bait the investors”. Church and these bankers pocketed most of the proceeds. Only 8 per cent reached Bolivia.

But that was just the beginning. The initial run-up complete, the insider bankers bet heavily against the bonds (selling them “short” on forward contracts), since they knew that with nothing behind the bonds their value would fall. When the price hit rock bottom and others sold in disgust, they swooped back in as “vulture investors”, buying them up for pennies on the dollar, then forced Bolivia to settle with them in order to prevent their blocking Bolivia’s access to future credit by London Stock Exchange lenders.

This type of swindle, which the economic historian Marc Flandreau unpacks in his Anthropologists in the Stock Exchange, became so prevalent during England’s economic boom of 1850–73 that it was lampooned in fiction by Charles Dickens, Anthony Trollope, Robert Louis Stevenson and Joseph Conrad, who in Lord Jim criticized the “pure exercises of imagination” that were situated “three hundred miles beyond the end of telegraph cables and mail-boat lines”, where the “haggard utilitarian lies of our civilization wither and die”. The scams were a characteristic abuse of Britain’s “informal empire”, where power was exercised through trade and finance beyond the reach of state-regulated charter companies.

“Among savage races”. When Flandreau, an expert on foreign debt bonds, was researching Victorian vulture investors, he discovered that many of the central players were members of the Royal Geographical Society and another new society, the Anthropological Society. Before the 1860s, the scientific field concerned with the cultural, linguistic and physical characteristics of human groups was called “ethnology”. English ethnologists, who were gentleman amateurs, convened in London at the Ethnological Society. But in 1863 a breakaway clique founded a rival, the Anthropological Society. These “Anthropologists” met in the same building as the “Ethnologists”, but on different evenings. The subject matter discussed was similar, though it tended to be more sensationalistic and flagrantly racist.

Previous accounts by the intellectual historians George Stocking and Ter Ellington explain how the schism was fed by scientific, class and political differences. Darwinian anti-slavery Liberals predominated at the Ethnological Society, whose leaders (many of them Quakers) were prominent in the emerging scientific aristocracy. By contrast, most Anthropologists were anti-Darwinian pro-slavery Conservatives, marginal to traditional gentlemanly occupations and the scientific establishment.

The Anthropological Society’s vice-president and most famous member was Captain Richard Burton, the controversial explorer famous for sexually explicit orientalist writings and for disguising himself as a pilgrim making the hajj in order to penetrate Islam’s holiest shrines: he had recently broken with the Royal Geographical Society over its refusal to acknowledge him as a co-discoverer of the source of the Nile because, having been ill, he had not actually accompanied his expedition partner, John Speke, to LakeVictoria.

The Anthropological Society’s president and founder, James Hunt, was a “medical school dropout” turned racial polemicist who declared “the Negro” a separate species, incapable of civilization and rightly enslaved. A media-savvy activist, Hunt exorciated the anti-racism of the Ethnologists, calling them mentally diseased with “arrested brain-growth” due to “rights-of-man mania”.

The secretary of the maverick Anthropological Society reflected Burton and Hunt’s shared love of provocation and shock. Flandreau quotes the code of gentlemanly conduct expected at a learned society, they called themselves “The Cannibal Club” and broughtmeetings to order with a mace shaped like a “Negro head” (a more offensive term may have been used for this). They adopted a Masonic-like triangular logo with pictures of a skull, a brain and an eyeball. Unlike the Ethnologists, they banned women so they could more freely discourse on topics such as witchcraft and clitoral elongation, along with cannibalism (of course) and the futility of missionary work “among savage races”. When the British governor of Jamaica, Edward Eyre, brutally quelled the Morant Bay rebellion in 1865 by massacring up to 500 black people, the Anthropologists vehemently defended him against the Ethnological “necrophilists” at the opposing society, who had called for him to be recalled to London and tried.

Alfred Russel Wallace joined but quickly resigned from the Anthropological Society, calling it a “bête noire”. The eminent Darwinian anatomist (and Ethnological leader) Thomas Huxley derided it as a “nest of imposters”. And yet, despite scandals and resignations, the upstart organization grew quickly to twice the membership of the sedate Ethnologists. Within four years it boasted four times as many. Charles Darwin’s wife Emma called it a “mushroom society” because it had grown so implausibly fast. How did it do so?

As Flandreau shows, it takes credibility to sell a loan, i.e. credit, and the more inaccessible and opaque the loan’s objects, the more their evaluation by a buyer must depend on the issuer’s reputation. Learned societies improved reputations. They authenticated the bona fides of men like Church who ran the foreign-debt rackets. This is why Church appeared at the Royal Geographical Society and had himself voted in as a Fellow only “two days after subscriptions to the Bolivian loan had been opened”. The Anthropological Society emulated the older Geographical Society, becoming a place to dine with political and financial heavyweights. But there were other reasons that the Society proved so popular at this particular time.

In the 1850s and 60s, the vulture investors wanted to pressure defaulting Latin American governments to settle their unpaid debts by giving them land, on which the bond holders would then improve reputations. They authenticated the

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In the 1850s and 60s, the vulture investors wanted to pressure defaulting Latin American governments to settle their unpaid debts by giving them land, on which the bond holders would launch private colonies. In Ecuador millions of acres had in fact been received, and the colonists advertised to settlers in Germany.

In the Anthropological Society’s founding year, the English financier Edward Haslewood made a splash by proposing to settle debts of several adjoining countries in northern South America in exchange for grants of territory that would be consolidated into a vast new English-speaking colony “about the size of one-sixth of Europe”, in the “uplands of the Amazon”. Unlike the Ethnologists, the self-styled Cannibal Club put itself in the vanguard of the “push for land-grabbing and colonization”. In the mid-1860s, another Cannibal leader, Bedford Pim, promoted bonds for a railway, land and colonization scheme in Nicaragua. So to the vulture bankers, the society was a platform for both promoting their

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schemes and energetically asserting the scientific legitimacy of their racist justifications for them.

It was no secret that the coveted lands were inhabited. Haswell had observed that his proposed South American territory was occupied by Indians who “dispute the authority” of the governments that would be pressed to concede ownership of their land. Small wonder that this group so vociferously expressed disdain for “Indians, blacks, and more generally anyone who stood in the way of their schemes”. They blended racial antipathy with the supremacist notion that “only the Anglo-Saxon race would be able to generate value from such land”, as purportedly shown by the example of California, which was cited repeatedly.

Land grants for new colonies would require information about the lands, their occupants, and the state of politics in the relevant country. To feed this need for intelligence, the Anthropologists created a new category of membership that the Ethnologists lacked: “local secretaries” on the ground in the Americas, Asia and Africa who sent in scientific reports laden with specimens of skulls and insider tips on local bond-funded schemes. Flandreau implies that rank and file members joined the Society to get in on the game. The Anthropological Society was a colonization-promoting cabal of men seeking fortune at the expense of despised others.

I couldn’t last. Pim’s scheme for Nicaragua unravelléd, as did another scheme he promoted for a fanciful “ship-railway” across Honduras that would transport loaded cargo ships by rail between the two oceans. Around the same time, the government moved to rein in the bond vultures, and the Foreign Office tightened oversight of British consuls (of Honduras that would transport loaded cargo despised others. A cabal of men seeking fortune at the expense of the Anthropologicals created a new category of membership that the Ethnologists lacked: “local secretaries” on the ground in the Americas, Asia and Africa who sent in scientific reports laden with specimens of skulls and insider tips on local bond-funded schemes. Flandreau implies that rank and file members joined the Society to get in on the game. The Anthropological Society was a colonization-promoting cabal of men seeking fortune at the expense of despised others.

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Ironically, the Anthropologists saddled the new organization with unpaid debt. Since there could be no extinguishing of the Anthropological Society until this debt was paid, the merger had to be structured legally as its acquisition of the solvent Ethnological Society, which is why the word “Anthropological” had to remain in the name.

That necessity so galled Sir John Lubbock, first president of the Anthropological Institute of Great Britain and Ireland, that his wife Ellen feared his anger would sicken him and organized a redemption fund to repay the debt. She wrote to Mrs Darwin to ask her husband for the first contribution. That “horrid word”, she wrote, “isn’t the right one”, but if the debt were paid, they could drop it and “go back to the Ethnological, which was the first & real root of the thing”. The debt was paid the next year, but by then people must have grown used to the name, for it stayed. It survives to this day in the Royal Anthropological Institute.

Curiously, Flandreau uses this story to draw the moral that the modern field of anthropology is tainted. Focusing on the Anthropological Society’s heyday, he presents their behaviour as showing “what anthropologists truly were and social scientists truly are”. This denunciation involves arguing that the despoiling Anthropologicals of the 1860s were “real anthropologists” and that “exclu“ing” them is “bad history” and even elitist anthropologists alike as retailers of facts about exotic locales. Applying an economic perspective, he takes the discipline as a storehouse of information for sale, with the content of the ideas beside the point. What matters, according to him, is how much the information is worth to and whom. But anthropology in the 1860s was far from a professionalized discipline.

Today, anthropologists are intensely preoccupied with the ethical and representational ethics. Their professional associations constantly discuss and revise their ethics statements (unlike, say, the American Economic Association, which only recently adopted an ethics statement, and a minimal one at that). Because anthropologists’ ethical concerns are often self-critical, it is easily misinterpreted.

For example, Flandreau cites the US military’s recent attempt to use anthropology in counter-insurgency in Afghanistan as a parallel instance of anthropology’s debasement. But the main thing anthropologists did in that episode was to criticize the programme from the outside.

Flandreau blusters against a straw man ideal of noble disinterested science. That science has “interests” and shades of grey is old news. It is reassuring to conclude that all self-interest corrupt equally, that all science is therefore cheapened and none legitimate. Indeed, anthropology can be distinguished by how little corrupting money has been thrown its way, compared to the much larger disciplines of political science and economics. In that regard, the Victorian era may have been exceptional. And even then, not all figures in finance were equally bad. For example, before the merger of the two societies, the Ethnological leader Lubbock, who was the Anthropologicals’ “archenemy” and a serious contributor to debates over human antiquity (he coined the distinction between “palaeolithic” and “neolithic,” for instance), was also vice-chairman of the Council of Foreign Bondholders, in which capacity he led the tampering of the vulture investors of the foreign debt industry.

Flandreau set out to “show the strings and the string pullers” behind Victorian science, and his research gives an impressive account of who was on the make and who on the take. But he overheatedly dismisses previous scholarship such as George Stocking’s magisterial Victorian Anthropology (1987), though Flandreau’s own telling is so digressive and tangled one must first read Stocking’s to be able to follow the financial plots and stories Flandreau’s book adds.

As Stocking observes, the term “ethnology” is older, but the etymological meaning of “anthropology” is more capacious and better conveys the “study of humanity in relation to nature”. If it hadn’t been temporarily preempted by that archenemy, “the Darwinians might well have chosen to adopt it themselves”. So we need not be as worried as Lubbock was, and Flandreau is, that the modern discipline has a once disreputable sponor. As far as names remain continually available for reinterpretation and reinvention. There is no need to posit an original lexical sin.

But whether or not one accepts Marc Flandreau’s argument that the Anthropologicals’ story continues to taint the discipline, Anthropologists in the Stock Exchange reveals the symbiosis between financial crime and Victorian racial theory, and breaks new ground in showing the importance of the world of finance in the history of the human sciences.