

The cannibal club

How Victorian anthropologists tried to defraud the financial markets

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 rainforested 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 dignitaries for endorsements, while his banker allies rigged the market to create a rising trend in the bonds' published trading prices, a false premonition 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 rules.

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 like the East India Company. In parts of Latin America and the Middle East, Britain was represented only by underpaid consuls who, by capitalizing on locals' confusion about where their imperial role ended and personal business began, could develop their own trade on the side, usually in alliance with London-based financiers.

Foreign government debt issues were free of the disclosure requirements for financing by joint-stock companies, making them a favoured vehicle for financial chicanery. The defaults were easily pinned on the dissolute character of the borrowing nations, allowing crimes hatched in London to be blamed on their victims, the "defaulting races" – Victorian racism lending cover to financial predation.

IRA BASHKOW

Marc Flandreau

ANTHROPOLOGISTS IN THE STOCK EXCHANGE

A financial history of Victorian science
421pp. University of Chicago Press. \$35.
978 0 226 36030 0

Victorian racial politics in fact played a central role in the background of many of those involved in such schemes. 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 "Anthropologicals" met in the same building as the "Ethnologicals", 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 Ellingson 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 Anthropologicals 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 Lake Victoria.

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 excoriated the anti-racism of the Ethnologicals, calling them mentally diseased with "arrested brain-growth" due to "rights-of-man mania".

The style of proceedings at the maverick Anthropological Society reflected Burton and Hunt's shared love of provocation and shock. Flouting the code of gentlemanly conduct expected at a learned society, they called themselves "The Cannibal Club" and brought meet-

ings 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 Ethnologicals, they banned women so they could more freely discourse on topics such as phallus worship 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 Anthropologicals vehemently defended him against the Ethnological "negrophilists" 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 Ethnologicals. 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?

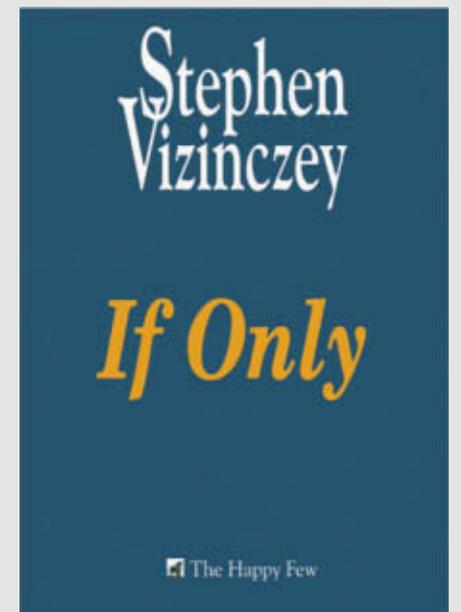
As Flandreau shows, it takes credibility to sell a loan, i.e. credit, and the more inaccessible and opaque the loan's objects, the more their evaluation by a buyer must depend on the issuer's reputation. Learned societies improved reputations. They authenticated the bona fides of men like Church who 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 launch private colonies. In Ecuador millions of acres had in fact been received, and the colony was 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 Ethnologicals, 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

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."

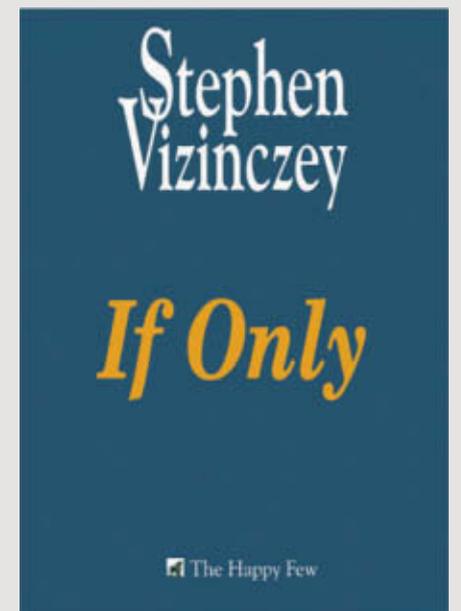
"He was ready to die that very night, but the universe has a say in what happens to us."

"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."



The Happy Few Books
thehappyfewbooks.co.uk

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

It was no secret that the coveted lands were inhabited. Haslewood 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.

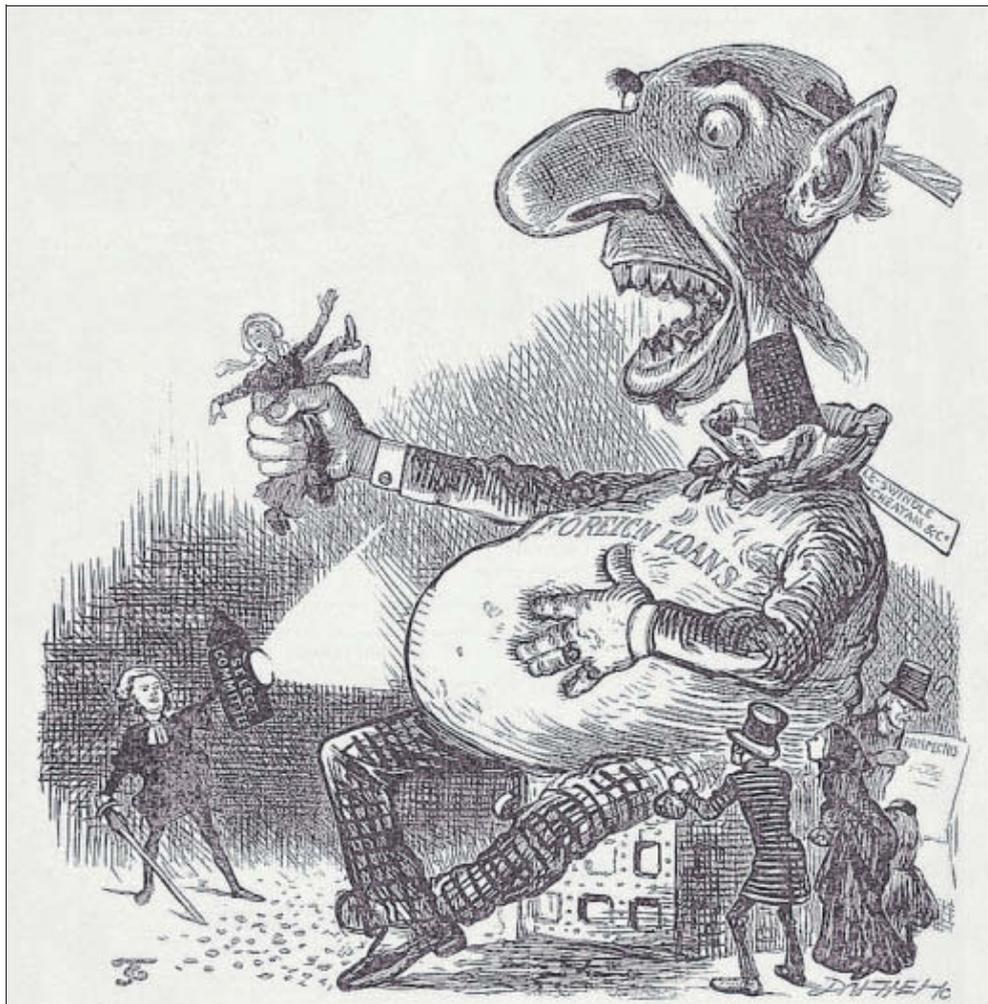
Land grants for new colonies would require information about the lands, their occupants, and the state of politics in the relevant country. To feed this need for intelligence, the Anthropologicals created a new category of membership that the Ethnologicals lacked: “local secretaries” on the ground in the Americas, Asia and Africa who sent in scientific reports 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.

It couldn't last. Pim's scheme for Nicaragua unravelled, 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 whom Burton was one, in Brazil). The Cannibals suffered attrition. The Ethnologicals attacked. A letter in the prestigious periodical the *Athenaeum* accused the Anthropologicals of “charlatanism, puffery, and jobbery” – all terms that pointedly referred to the Stock Exchange and the shady dealings that inflated securities with false hopes, creating financial bubbles. Even the Anthropologicals' membership, it was revealed, had been inflated. Many members were non-paying, and some had been elected without even having applied to join.

Now it was the Anthropologicals who had a breakaway clique, which proposed uniting with the Ethnologicals. But the ever-pugnacious James Hunt resisted. Knowing that the Ethnologicals detested the name “anthropology”, he organized a vote “to reject any proposal that did not maintain the integrity of the Society's name”. But three months after that, Hunt died, and the Cannibals surrendered. The eight-year struggle between Anthropologicals and Ethnologicals came to an end, and the societies merged.

Ironically, the Anthropologicals 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



“The Ogre of Foreign Loans”, from *Fun* magazine, April 10, 1875; from *Anthropologists in the Stock Exchange*

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 “excluding” them is “bad history” and even elitist because they were, he says, “subaltern” relative to the better-heeled Ethnologicals. They have been wrongly vilified for their “racism and sexism”, Flandreau suggests, but the material he presents deepens the case against them.

Flandreau also treats past and present 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 and to whom. But anthropology in the 1860s was far from a professionalized discipline.

Today, anthropologists are intensely preoccupied with research 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 concern is 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 absurd to conclude that all forms of 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 taming 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 the Anthropologicals, “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 eponym. After all, 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.

Netherworld

By way of musquash and green uranium bowls,
I thread myself through to the back of the shop,
where the owner – who has a reliable habit
of licking an index finger when turning a page –
conjures childhood, my grandmother.

Usually, we are alone and shy together.
She rarely speaks but I admire the way
she maintains her goose-feathered curls
among a netherworld of slanting lampshades
and blackened sunburst mirrors.
She keeps almost as still as the deer heads
as though her body is already irrelevant,
become another artefact.

Sometimes I buy something, but most days I prefer
to play at shops. Today, I've brought some freesia
and water biscuits so we might be pharaohs?
As much as it breaks my heart, it also suits
my purposes that there's no actual till,
just a drawer full of torn-up newspapers.

CATHERINE ORMELL