Can they all be ‘Shit-heads’?: learning to be a contrarian investor

Daniel Souleles & Kristian Bondo Hansen

To cite this article: Daniel Souleles & Kristian Bondo Hansen (2019): Can they all be ‘Shit-heads’?: learning to be a contrarian investor, Journal of Cultural Economy, DOI: 10.1080/17530350.2019.1646157

To link to this article: https://doi.org/10.1080/17530350.2019.1646157

Published online: 18 Sep 2019.

Article views: 4

Submit your article to this journal

View related articles

View Crossmark data
Can they all be ‘Shit-heads’?: learning to be a contrarian investor

Daniel Souleles and Kristian Bondo Hansen
Department of Management, Politics and Philosophy, Copenhagen Business School, Frederiksberg, Denmark

ABSTRACT
This article seeks to explain one of the sensibilities or dispositions that novices learn in the process of becoming financiers, namely, to be a contrarian. We will review investment pitches from an American undergraduate collegiate investment fund, interviews with some members of the club, and field notes from a few of their outings, and treat instances of their contrariness as moments in their process of going from non-investors to investors, moments in which they experiment with and learn new social habits, identities and practices. Moreover, we connect this contrariness with a much longer tradition in the formation of an identity and subjectivity as an investor. More than any simple technology of thought to be deployed in a particular situation, contrarianism is a thoroughgoing mode of framing and understanding life, both in investment contexts and beyond, which we suggest was born between the 1880s and 1940s and has persisted in various forms to this day. This paper offers two instances of how someone becomes contrary, and suggests that contrarianism may be a fairly typical way for humans to make sense of financial markets.

ARTICLE HISTORY
Received 21 June 2018
Accepted 9 June 2019

KEYWORDS
Investors; contrarian investing; value investing; learning; contrarianism

Joy in the little things

There is an old market adage that little profit is to be had by following the crowd, and even an investment expert should guard against being carried away by the temptation to imitate. Brainerd (1930, p. 102) How to Invest for Income and Profit

Souleles met Heimdallr, a young white man of average height and weight, with short hair, and the jeans, t-shirt, and boat shoes to mark him as a college student, in the course of a larger project Souleles conducted on private equity investing (e.g. Souleles 2019). In the Winter of 2014 Heimdallr was a graduating senior at an elite, east-coast, American, private university, and was headed for a career in investment management. Heimdallr, and a few of his friends helped run a private, student-led investment club (the ‘Club’) whose purpose was to both make investments (managing the students’ own money in publicly traded equities, or stocks of companies) and educate future financiers about putting together persuasive investment pitches. The Club was founded in a few years after the 2007/2008 financial crisis as part of a stream of investment clubs that have opened at many elite American universities, starting, roughly, in the late 1970s as a minor corollary of finance reentering the American imagination and taking up more space in the American economy. Heimdallr and his friends also let Souleles observe a semester’s worth of their meetings and interview a few of their members.

For Souleles, part of the appeal of this sort of fieldwork was the opportunity to see how some financiers get a start in life, to appreciate what and how they need to learn. One thing they think they need to learn is to be contrary, to go against common sense, consensus analysis, and
conventional wisdom to find opportunities to make money (as in Hansen 2015). This might be opposed to ‘momentum’ investing strategies which seek to go along with rises or falls in the price of certain financial instruments, long enough to at least make a bit of a profit. Contrarian investors see momentum strategies as dangerous folly. In the contrarian sense of things, investors need to beat the crowd in order to outperform the market. Whereas momentum trading is a way of surfing the waves of the market, contrarian investing is about going against the market current at an exact point in time, when it is profitable to do so.

A useful starting point is this reflection Heimdallr offered on life. Note in particular the way a contrarian sensibility suffuses much of what he describes:

Heimdallr: I guess the other thing I’ll say I get a lot of joy out of is finding little market inefficiencies. So that secondary ticket thing that I do [going to a box office when students are free and working folks are not and then selling event tickets on a secondary market at a profit], we don’t make a lot of money from it, but it’s some good spending money. I really enjoy doing that, finding this little market inefficiency and I’m exploiting it. But forget monetary ones. So, when I am interning and stuff on my morning commute, I go into the [train station] and look for, am constantly looking for ways that I can get around crowds and things that people aren’t exploiting … You want to know a secret? You know how … [train] platforms you can’t actually tell where the door is going to be? The way you can tell is, it only works, both trains have to be going in the same direction … You get off the [train] and keep note where the doors ended up on the … train, that’s where the doors are going to end up for the [other] train. It helps when it’s crowded, I stand there, the door comes right up to me, I position myself so I’m ready and then I can get a better position in the [train] …

But the same with grocery stores: I love finding out that the sushi a block away is 50 cents cheaper, why don’t I get it? I love finding little arbitrage opportunities everywhere, I get a lot of joy out of that.

Souleles: So is it like, I don’t want to put words in your mouth, so can you explain a little more about the joy?

H: I mean it’s like, yes. It’s like similar to how I feel when I’ve made a good investment, when I’ve made money from something. Doing well. It’s, the dopamine is firing off—I feel good. It’s probably not all that different form the trader, yeah feels like he’s high on cocaine. It’s a good feeling. When I’ve made a good investment, exploited an inefficiency. When it becomes routine and really easy like the [train] one, stealing candy from a kid, it’s no longer exciting anymore. Because, it’s just like, also, I get, the amount of actual benefit out of something like that is very minor—getting on the [train] a few people earlier. And, sometimes it’s so crowded you can’t get on at all.

S: Is it kind of like it’s a competition?

H: I guess, yeah. It’s a competition with the herd. That’s what investing is. You’re competing against the herd. Yeah. Like, when I make a good investment, that is one of the best feelings in the world. When I’ve really just, when I’ve made a lot of money off of the thesis, it’s just such a great feeling. Same with concert tickets. When we’ve really just killed it and found a good show, you know made a pretty good return on our money, it’s a great feeling.

There is a lot going on here. We get Heimdallr’s theory of the [train] platform, a plan for buying and reselling concert tickets, reflections on discount sushi, and a discourse on how this is all like investing. And that reflection on investing is the through-point for all of his plans.

Heimdallr sees investing as competition with the herd, an undifferentiated mass of rivals whom it is Heimdallr’s job to outsmart, or at least to do the opposite of what the herd thinks is correct. Pay full price for concert tickets? No, just go during off-hours. Guess at where the train will go because no one can predict those things? No, just figure out the system. Buy overpriced sushi where everyone else is buying overpriced sushi? No, just walk around the block, food-poisoning be damned! Go against the herd. Being a successful, contrary investor is a great feeling. It’s like a dopamine rush. It’s like cocaine.

We might call all this a certain form of contrarianism, a disposition that has its roots in an approach to investing but becomes a sort of philosophical outlook on life for folks like Heimdallr. Heimdallr would call himself a ‘value investor’, someone who makes investment decisions based on fundamental analyses of stocks. Yet much of the ethical grounding that allows him to be a
practicing value investor is ‘contrarian’, a phrase that he wouldn’t necessarily be familiar with, yet has echoes across the history of investing in America. So, what, then, is contrarian thinking? And why does Heimdallr embrace it so? And how does it support what he knows as value investing?

To answer these questions we will provide a comparison of two different cultural cases, social scenes when contrarian investment thinking plays a role in groups of people trying to make sense of financial markets – in one case, the participants in an undergraduate investment club, investing their own money, in the Spring of 2014 on the East Coast of the United States, in the other case, the writers and consumers of investment advice literature in the United States from roughly 1910–1940. Specifically, we identify two similar interpretive frames, one portrayed in ethnographic data, and one drawn from an archive, of contrarian thinking as culturally specific ways of understanding financial markets and making investment decisions. In turn we make use of interpretive theories appropriate to the different kinds of data we analyze; process- and apprenticeship-based learning in the ethnographic case, and a genealogical concept analysis in the archival case. Moreover, in our archival research, we suggest an origin moment of the contrarian investor set against the dumb crowd of the market – a figure and a relationship that we suggest has endured in the American financial imagination, waxing and waning along with finance’s relative importance in the American economy and the American imaginary. We show that both groups of people make use of similar shared concepts and relationships and suggest that contrarian thinking is a historically durable feature of reckoning with the merciless volatility of financial markets.

It can be tricky drawing such an interpretive analogy across two different historical moments. Given that, after our above introduction of Heimdallr and contrarianism, we will proceed to (1) offer a more expansive history of contrarian investment thinking. This, in turn, will allow us to (2) show how contrarianism manifested itself in American investing life through the middle of the twentieth century. We in turn will (3) take this definition and historical description and return to Heimdallr and the club, illustrating the way in which they act as contrarians in their own investing in ways similar to those in our earlier historical epoch. Throughout this ethnographic account, we will make use of comparative historical material to illustrate the sort of continuity we’re suggesting. Finally, we will (4) suggest that contrarian thinking seems to be a durable component of market capitalism in the United States, and waxes and wanes in tandem with the relative prominence of finance in American life. While neither of us are teleological determinists of any stripe, we do find it arresting that there is this consistency and regularity across these dispersed historical epochs, and suggest that contrarianism seems to be a durable component of American financial capitalism and a regular response to market uncertainty.

**A short history of contrarianism; or, a crowd is born**

We might define contrarian investment strategies as being reflexively opposed to strategies of other investors which the contrarian sees as hopelessly naïve (that of the dumb herd, or unthinking crowd), and in conversation with ‘value investing’ strategies. Generally, contrarians assume that the rabble of regular investors (most people) overreact to news and trends, which leads to some securities being priced higher or lower than what they are actually worth. The contrarian investor thus avoids seemingly overvalued securities and attempts to outperform the market by picking up undervalued ‘out-of-favor’ securities (Chan 1988, p. 147, Lakonishok et al. 1994, p. 1542). Especially in modern finance, contrarian investing is often equated to value investing (Poitras 2011, p. 509).

Like contrarians, value investors try to identify and buy under-valued securities. Value investing was formalized as a strategy in Graham and Dodd’s *Security Analysis* (1934) and later immortalized by arguably their most well-known devotee, investor and chairman of the conglomerate Berkshire Hathaway: Warren Buffett. Although the labels ‘value’ and ‘contrarian’ investing are often used interchangeably there is at least one central difference between the two approaches. Ideally, value investors look at balance sheets and financial statements in order to detect whether a security is over- or under-valued. For value investors it is all about the fundamentals. While most contrarian investors...
do pay attention to the fundamental value of securities, this is not their primary measuring stick when deciding on what securities to pick. It’s price trends and market sentiment that contrarians are most concerned with and it is those factors that they attempt to trade in the opposite direction of.

Another difference between the two approaches is that value strategies are mainly associated with buying (and traditionally also with the intent of holding) securities, while the contrarian approach can involve buying and short selling (Chan 1988, p. 147). A shared assumption in both value and contrarian investing is that it’s possible for investors, fund managers and other active market participants to have or obtain an information advantage over other market actors (Chong and Tuckett 2015, p. 15).

Whereas the gist of both contrarian and value investing is to buy securities that the market is not valuing as highly as it should, the former is more than merely a strategy; it becomes a kind of ethos or grounding orientation to investing. Put in a practical register, again, Heimdallr himself would happily identify as a value investor, warming to its focus on business fundamentals and academic rigor. Likewise, he would disclaim being a rote contrarian (in fact, he isn’t), while all the while making use of contrarian cognitive shortcuts to reason through investment decisions. In present practice at Heimdallr’s investment club, as we’ll see, contrarianism and value investing are intertwined, one providing a sort of grounding for the other.

In order to understand the emergence of contrarians, and their oppositional foil, the dumb crowd, it’s necessary to take a look at some of the currents that shaped the culture of investing in financial markets from the Gilded Age through the Progressive Era – specifically how big groups of people first entered into market speculation and trading, and, conversely, how market observers characterized those big groups of people. During these epochs, financial markets and the investing going on in them became popular themes in American culture, even though there were few active participants in markets (Knight 2016, p. 5). In the late-nineteenth and early-twentieth centuries, stocks and commodities investing was reserved for the very well-off, the elite. In part, this desire for and a fascination with investing in the American public came via the proliferation of a variety of genres of financial writing starting in the 1880s (Poovey 2008). Novels and short stories chronicling the rise and demise of financiers (Zimmerman 2006), illustrations and caricature drawings (Crosthwaite et al. 2012), magazine and newspaper articles, and investment advice books (Preda 2009, Hansen 2015, 2017, Knight 2016), all gave the seemingly impersonal and abstract market a personal, concrete, and indeed human expression that one might know (Knight 2016, p. 20).

Moreover, Americans’ fascination was not merely hypothetical or exclusively literary. Many satisfied their speculative urges in a more concrete way by frequenting ‘bucket shops’ – makeshift brokerages where people could experience the thrill of the market for a fraction of the price (see e.g. Fabian 1999, De Goede 2005, Hochfelder 2006, Levy 2012, Hansen 2015, 2017). Bucket shops emerged in the 1870s but became hugely popular during the 1880s and 1890s. They were small offices, often located door-to-door with exchange-affiliated brokerages in financial districts, where people could wager on how a stock or commodity would fare in the markets, without having to buy a stock. The main reason why bucket shop speculation became so popular in the late nineteenth and early twentieth centuries is simply that it was the only affordable, accessible way for non-elite Americans to participate in financial markets. With low margins and small lot sizes, bucket shops gave less well-off people the chance to speculate at a fraction of the price of what exchange-affiliated brokers required. In comparison, the New York Stock Exchange demanded a minimum trade of a hundred shares and a margin of ten percent, which meant that transactions could involve hundreds or thousands of dollars, and would always require a large initial outlay (Hochfelder 2006, p. 343).

While bucket shops provided the opportunity to speculate in the fluctuations of prices in the stock and commodity markets, again they did not allow actual trading. Rather, bucket shops facilitated the experience of speculation. Consequently, in the eyes of exchange officials, bucket shops were parasites on the allegedly legitimate business of financial exchanges just as they were thorns in the side of
Hugo Münsterberg, in the book *The Americans*, argued that the broader public has a misconceived view of how markets function, which can be detrimental to citizens in a ‘gambling nation’ (Münsterberg 1904, p. 232). Münsterberg came to realize that in ‘the public mind’ the buying and selling of securities looked very different than it did from the perspective of the professional broker: According to Münsterberg, the amateur or small investor, ‘investing a few dollars …’, never thinks of himself as a gambler; [rather] he thinks that he understands the market; … [and] he is convinced that his own discretion and cunning will give him an advantage’ (Münsterberg 1904, p. 232). The broker, on the other hand, knows how the market operates and is thus aware that the public is misinformed and misguided, and simply makes money on their investing churn. What Münsterberg suggested was that the greater public is temperamental; that members of the public see themselves as market-savvy, although they are not; that the public is suggestible and thus likely to follow whatever tip or piece of advice available.

Münsterberg’s point, too, suggests that this idea of the volatile trading crowd didn’t just encompass the bucket shops. It was a more wide-spread way that people started to imagine market participants. In an article in *Munsey’s Magazine*, Edwin Lefèvre, a writer of fictive as well as journalistic accounts of the financial world, described Wall Street during boom days as an ‘aggregation of reformist regulators and politicians battling all types of gambling in society (Fabian 1999). In this way, the trading crowd started to take shape.

Whereas critics argued that what took place in bucket shops was nothing but plain and unadulterated gambling, proprietors retorted by saying that their business was in many ways not so different from commodities futures trading where you also saw a lot of trading without any actual delivery of commodities. For our purposes, though, what connects bucket shops to the contrarian stance on investing has to do with the way financial writing portrayed the clientele that frequented the shops. Bucket shop customers were mostly shown as outsiders who did not possess the experience, knowledge or temperament needed to invest successfully in securities. Customers were also often called ‘lambs’ always in imminent danger of being fleeced if they made the ill-advised decision to embark on any kind of speculative endeavor (Hansen 2017). Essentially, they were always and inevitably stupid. What’s more, this is how bucket shop proprietors also saw them.

Customers in bucket shops needed to be stupid (in aggregate at least) in order for the shops to turn a profit. A bucket shop wager was ultimately a two-sided, zero-sum game with the customer paying a margin, and then taking one side of a bet, and the proprietor taking the other. If a customer wagered that, say, the price of Standard Oil would rise, the bucket shop proprietor would have to pay up in the event that the price actually did increase. If the price fell, the proprietor would keep the money the customer had floated and in many cases the margin payment too. As a consequence of the way deals were made in bucket shops, the interest of the proprietor was, in the words of Frances L. Eames, the president of the New York Stock Exchange always ‘diametrically opposed to that of the customer’ (Eames 1894, p. 70). Put another way, in an article titled ‘The Bucket Shop in Speculation’ published in *Munsey’s Magazine* in 1900, the bucket shop’s livelihood relied on the Wall Street axiom ‘the public is always wrong’ to be true (Thomas 1900, p. 68). It being a zero-sum-game, the customer had to be wrong in order for the bucket shop to make money. The way newspapers and magazine filled columns and pages with stories about how the credulous and timid public was lured and duped by the bucket shops’ promises of easy money, fueled the belief that the public, i.e. the masses, were too easily deceived and all too often wrong in matters of money (see e.g. Hansen 2017).

This skepticism towards the public’s ‘speculative competence’ (Cowing 1958) was also evident in the investment advice literature, where there was often advice such as ‘you must sell when the public wants to buy’ (Hoyle 1898, p. 36, italics in the original) and ‘in money matters it is never safe to follow “the crowd”’ (Hume 1888, p. 48). The bucket shops’ success became a paradigmatic example of the truthfulness of these types of statements and strengthened the belief that the only reasonable way to invest and speculate was to counteract the herd.

Encapsulating this reflexive hostility to the crowd, the German migrant and Harvard psychologist, Hugo Münsterberg, in the book *The Americans*, argued that the broader public has a misconceived view of how markets function, which can be detrimental to citizens in a ‘gambling nation’ (Münsterberg 1904, p. 232). Münsterberg came to realize that in ‘the public mind’ the buying and selling of securities looked very different than it did from the perspective of the professional broker: According to Münsterberg, the amateur or small investor, ‘investing a few dollars …’, never thinks of himself as a gambler; [rather] he thinks that he understands the market; … [and] he is convinced that his own discretion and cunning will give him an advantage’ (Münsterberg 1904, p. 232). The broker, on the other hand, knows how the market operates and is thus aware that the public is misinformed and misguided, and simply makes money on their investing churn. What Münsterberg suggested was that the greater public is temperamental; that members of the public see themselves as market-savvy, although they are not; that the public is suggestible and thus likely to follow whatever tip or piece of advice available.
madmen’ and the New York Stock Exchange as ‘Bedlam well dressed’, where you are exposed to a ‘contagion’ from the many and can even catch ‘moral malaria’ (Lefèvre 1901a). The assumption that market participants, especially the inexperienced ones, were susceptible to irrational crowd behavior was thoroughly ingrained in much financial literature. It was taken as given that the crowd was intellectually inferior to the individual.

So, in order to maintain their sound judgment, the investor ought to somehow escape the alleged contagion of the crowd, while remaining in a position where the behavior of the crowd could be observed.

This idealization of the great (investing) man and a concern with the masses’ tendency to hamper an individual’s intellectual abilities (Frezza 2007, p. 19) was frequently reproduced in the investment advice literature during the first half of the twentieth century (Hansen 2017). While experience could only be gained by active market participation, would-be investors could acquire rules of conduct or help to self-help in the investment advice literature – a genre that was popular as ever before in early-twentieth-century America (Woodstock 2005, Hansen 2017). One of the main characteristics of investment handbooks is that they are ‘prescriptive’ or ‘practical’ texts (Foucault 1992, p. 12). They are themselves objects of a practice in that they were meant to constitute a framework for conduct, that is, the opportunity for readers to reflect upon and refine their conduct (Foucault 1992, pp. 12–3). Apart from providing a particular view of how markets function, the investment handbooks prescribed rules of conduct that readers were to abide by if they wanted to become successful in their investment endeavors. The ideal investor, presented in this literature, was someone who had learned how to tame their emotions and remain completely levelheaded in all market situations (like Heim dallr on a train platform). Successful speculation was, as the Boston-based investment advice book author and professional financial advisor R. W. McNeel argued, ‘a problem of self-mastery and self-discipline as much as one of finance’ (McNeel 1921, p. 155).

The self-disciplining involved in the shaping of the contrarian investor has been thoroughly studied by the sociologist Stäheli (2006; 2013, see also Borch 2007, Hansen 2015, 2017). Stäheli argues that the rules of conduct or self-techniques laid out in early twentieth-century investment handbooks promoting the contrarian approach to investing and speculation were supposed to ‘ensure that the speculator did not become part of the crowd’ (2013, p. 148). Instead of trying to control the crowd, the objective of the contrarian investor was, according to Stäheli, to control her- or himself: the investor had to ‘develop a strong identity in order to withstand the temptations of the market’ (2006, p. 281). At the same time as contrarian investors were trying hard not to become part of the crowd, they needed to observe the crowd in order to know where to place their money (Stäheli 2013, pp. 168–9). Although these two aspects of being a contrarian appear to be contradictory, they nonetheless constitute the very basis of the contrarian approach as it was formulated in the early twentieth century.

Here lies the crux of contrarianism, namely that the investor has to carefully observe the acts and sentiments of the crowd while simultaneously avoiding the contagion emanating from it. It required a profound amount of self-control and sensitivity towards changes in the sentiment of the majority. The ability to master this seemingly impossible balancing act was exactly what distinguished the successful professional from the amateur; the latter being the one who almost always ended up on the losing end of the zero-sum game of speculation and investing. According to contrarian investor, financial writer, radio host, and self-proclaimed expert on speculation Thomas Temple Hoyne, the successful individual speculator was someone who was at one and the same time ‘immune to psychological crowd contagion’ and in ‘intimate touch’ with the crowds in the market (Hoyne 1930, p. 115). What made professional investors and speculators successful was, Hoyne explained, their ability to:

keep themselves immune to the emotional contagion which leads the average individual to lose his own personality, temporarily, in a psychological crowd, and results in his action being directed by the lower collective intelligence of the crowd, instead of by his own intellect. [...] They seldom lose themselves in crowd action, but rather take advantage of it, now acting with a crowd, now against one, with rare individual judgment that is founded upon a profound knowledge, conscious or unconscious, of the psychology of crowds, how those crowds act, why, when, and what brings about such action. (Hoyne 1922, pp. 139–140)
The most important step that the person striving to become a successful contrarian had to take was, according to Hoyne, to learn how to be immune to emotional contagion. Secondly, it was important that the speculator learned, as noted in the quote above, how to take advantage of the collective actions of the psychological crowds in the markets just as the successful speculators did.6

In order to figure out whether the individual speculator was able to exercise the needed amount of self-restraint and control, Hoyne suggested that she or he took an abstinence-test. As Stäheli has pointed out ‘the contrarian speculator finds himself in a never-ending test – a test not only of the economic rightness of his investment decisions, but also a test of whether he is still himself or has already joined the crowd’ (Stäheli 2006, p. 287). The abstinence-test that Hoyne came up with was supposed to reveal whether the speculator would be able to withstand the urge to plunge into a speculative endeavor if exposed to the contagious atmosphere of the market. Specifically, Hoyne proposed that the speculators abstained from trading for a definite period of ‘thirty days’ during which they should ‘frequent brokers’ offices, keep themselves constantly in the speculative atmosphere and within the influence of market fluctuations and all the news and gossip concerning them’ (Hoyne 1922, p. 217). Being exposed to the so-called ‘speculative atmosphere’ of the market, while refraining from speculating, was supposed to enable speculators to observe their own emotional reactions to the contagion emanating from the market. Taking such an abstinence-test would, Hoyne noted, reveal a potential lack of ‘self-control’ and self-restraint (Hoyne 1922, pp. 217–218). If the speculator was able to abstain from trading during the thirty-day period, it meant that she or he was sufficiently immune to contagion and thus not at imminent risk of being carried away on a wave of irrational crowd action.

We draw on Stäheli’s work when we argue that becoming a contrarian is a learning process which involves continuous assessment and test of the ability to remain level-headed in a world heavily influenced by crowd behavior. Moreover, we see this as useful bridge to the practice-based theories of learning we use to describe Heimdallr’s investment club. However, before we turn to the present day, we should offer a few words by way of contextualizing the rise and dissemination of contrarianism.

One way to understand contrarianism is as an artifact of the financial world that came to a close on Thursday 24 October 1929. In the wake of the black Thursday stock crash, America went into a protracted economic depression, which, among other things strengthened mistrust, not only in the American financial system as a whole, but also speculative competencies of the public or the crowd (see Baruch October 1932, p. xiii). As America came out of World War II and recovered from the Great Depression, the popularity of contrarian investment advice waned.

By the American midcentury, the federal government had regulated financial markets, leading those markets to recede from the center stage of American economic life, replaced, in turn, by corporations, conglomerates, and organized labor. Too, doubts began to emerge about the ability of individuals to forecast stock prices (Cowles 1944), which meant that the assumption that the average person could be taught how to beat the market became an increasingly harder sell. Moreover, the rise of Modern Portfolio Theory (Markowitz 1952) held that the goal of investing might be better understood as creating a balanced portfolio of stocks, bonds, and real estate, that is varied enough to match (not beat) general economic growth. Still, we don’t think that this is all there is to contrarianism, nor do we feel it is most accurately described as an artifact of the Gilded or Jazz Age financial world.

We noted that numerous structural changes to the American economy and financial scene led to the eclipse of contrarianism. However, as those structural changes themselves went into eclipse, and business life itself deregulated and became financialized, we saw, again, the emergence of the contrarian, here and there. One of Fidelity Investments’ flagship funds, the Contrafund, was set up in 1967 by the firm’s CEO Edward Johnson II, and the fund’s strategy was based on the contrarian ideas of the former Wall Street professional and staunch contrarian Humphrey Neill (whose work we will get back to later in the paper).7 Still far from the mainstream, contrarianism regained a bit of its former popularity within the space of popular finance advice literature in the late-twentieth and the early-twenty-first centuries with publications such as David Dreman’s handful of books on contrarian
investing, with the first being *Contrarian Investment Strategy: The Psychology of Stock Market Success* (1980). Other notable titles from this prescriptive genre of financial writing include *Predicting the Markets of Tomorrow: A Contrarian Investment Strategy for the Next Twenty Years* (O’Shaughnessy 2006), *The Art of Contrarian Trading: How to Profit from Crowd Behavior in the Financial Markets* (Futia 2009), *Against the Herd: 6 Contrarian Investment Strategies You Should Follow* (Cortes 2011), and *The 52-Week Low Formula: A Contrarian Strategy that Lowers Risk, Beats the Market, and Overcome Human Emotion* (Wiley 2014). These ‘how to’ books can be regarded as modern-day versions of the early-twentieth-century investment advice literature in which contrarian investing, as a somewhat formalized investment approach, first saw the light of day. The popularity of such ‘how to’ books suggests that contrarian strategies and the ideal of the level-headed contrarian still have some traction in the investment community, in particular among retail investors.

In the academic milieu, the renaissance of contrarian ideas has been propelled by the emergence of behavioral finance and its head-on challenge of the conventional wisdom of financial economics. The Nobel laureate and behavioral finance pioneer, Robert Shiller claimed, in his seminal paper ‘Stock Prices and Social Dynamics’, that ‘mass psychology may well be the dominant course of movements in the price of the aggregate stock market’ (Shiller et al. 1984, p. 459). Although he was not talking about contrarian investment strategies, Shiller did argue that investing in speculative markets required knowledge about whims and fancies of the mass. Discussions about herding behavior in markets are prevalent in behavioral finance (see, e.g., Scharfstein and Stein 1990, Banerjee 1992, Bikhchandani and Sharma 2000) and it has a genealogy of its own in economic psychology (Rook 2006), but the emphasis on herding and crowd psychology in markets have also sparked renewed interest in the contrarian approach. Consequentially, studies discussing and testing contrarian investment strategies have found their way into prestigious and mainstream journals such as *The Journal of Finance* (Lakonishok et al. 1994) and *American Economic Review* (Cipriani and Guarino 2005, 2014).

Furthermore, sites of investing, over the last few decades have afforded opportunities for individual speculation that institutionalized mid-century America did not (everything from the rise of day trading, the first internet boom, crypto-currencies, cell-phone based brokerage apps, and so on – all of which, on the surface at least, offer the promise of broad-based participation in financial markets). We might say, then, that when individuals see an opportunity to individually participate in financial markets, we are likely to find the contrarian just around the corner.

Given that there’s a long history of needing to be a contrarian in investing, and given that Heimdallr sees it at the root of both his life philosophy and successful investing, it’s worth dwelling a while on how young investors learn to be contrarians, given that, by definition, it goes against common sense. Specifically, we will argue that undergraduate investment and finance clubs are one site at which future financiers both learn how to be good investors and practice being good investors, thereby becoming good contrarians. Moreover, we aim to demonstrate that this contrarian sensibility is nothing new, and in facts seems to be one durable sensibility that comes with broad participation in American financial markets. Put another way, we see over a hundred years of continuity in the attitudes Heimdallr and his friends cultivate. To show this, we’ll talk about the specifics of their club, review anthropological theories of learning and show two types of contrarian imagining. First, we’ll show how contrarianism creeps into the everyday pragmatics of investing, then we’ll show the way contrarians understand themselves vis-à-vis their competitors, or ‘the herd’ as Heimdallr would have it. Ultimately, we’ll suggest that imaginative sites of learning are one key potent site to both create new financiers and see what exactly people feel they need to know to become an investor.

### In the club

Finance was never far from the undergraduates at Heimdallr’s University. As Ho (2009) has demonstrated, students at a few elite American Universities are bombarded by the finance industry’s recruiting tactics (however, see Souleles 2017). Heimdallr and his friends were no different. Should
they have wanted, they could have spent many of their fall nights and weekends at various recruit-
ment events, seminars, dinners, meet and greets, and so on. Indeed, recruiting itself was a grueling
process. Meet and greets led to networking connections, which led to follow up emails and appoint-
ments and conversations, which sometimes led to interviews, which led to more interviews, which
led to day-long ‘superday’ interviews which might result in an internship/three-month long job
interview, which, for a select few, could result in a two year introductory position as an analyst at
an investment firm. In turn, after this two-year position, they’d be expected to leave and compete
for another job.

What should be apparent from this gloss is that the progressive winnowing process to get a job
in finance was long, selective, and exhausting, mimicking the process by which Heimdallr and his
friends ended up at an elite school in the first place, and illustrating another side of the inherent
competition that seemed to attend just about every social, professional, and intellectual activity
they pursued. Socially, most of their clubs and societies had competitive admissions procedures,
administered by their friends. The club itself required mock stock-pitches which, in turn, mimicked
the interview process at many investment funds.8 Intellectually and academically, of course, they
competed with and beat ups of 95% of their age-mates to secure an admissions spot at their uni-
versity, and still vied for top marks in their courses. And professionally, they jockeyed with one
another for internships and jobs in a prestige-based hierarchy of investment and consulting
firms (the consulting firm McKinsey and the investment bank Goldman Sachs were consistently
at the top of their lists). Competition, with the presumed best winning out, characterized much
of their formal social life.

All this matches up with Khan’s (2012) observation that a meritocratic ethos, or a belief in gov-
ernment and privilege by the most quali-
fi
cated, attends America’s contemporary elite. To simplify a bit
– Khan suggests that the contemporary American elite feels that the most quali-
cated, and the most
able should be given opportunities in and eventually run society. In practice this leads to a particular
performance of competition and qualification often in the context of competitive jockeying in school
and in seeking jobs, particularly at the early stages of adult life. And while this meritocratic ideal has
replaced an older elite focused on pedigree, whiteness, maleness and connectedness, this new mer-
itocratic elite often provides cover for hierarchies that can be just as exclusive, though
unacknowledged.

To take one example, at the time Souleles observed Heimdallr and his friends, there were two
women in a thirty or so person club. The club, too, had a competitive admissions process in
which people were meant to demonstrate that they had good investment ideas and potential to
make the club money. Nothing explicitly excluded by gender or race, and a rhetoric of meritocracy
gave a de facto white male dominance cover. It’s beyond the scope of this article to dwell more on
this, but, again, it’s worth noting as Khan pointed out, that this sort of meritocratic rhetoric gives
cover to persistent social inequalities (see, e.g.: Souleles 2019: Chapter 3 ‘Who are they?’). The racial
and gender proportions of the club are particularly noteworthy, too, given the sort of inside track
membership could give to someone starting a career in finance.

The specific nature of the competition to get into the club is worth noting too. Heimdallr said that
when he and some of his friends formed their investment club, there was a larger organization on
campus, a sort of umbrella group for people interested in finance. In his telling it was more of a net-
working group, that would offer some speakers and panel discussions and generally coordinate
financial recruiting. This was helpful and all, but it didn’t let you learn to invest. So Heimdallr’s sol-
ution was to form an investment club.9 The ‘Who We Are’ section of their website notes that they are
a student-run investment club that functions as a buy-side investment firm with a further focus on
education of club members. The core of their work comes in weekly meetings in which club members
pitch ideas to each other and hope to earn the vote of a majority of members to pursue a given invest-
ment strategy. The pitches, discussion, and subsequent e-mail threads which lead to concrete invest-
ment decisions are the heart of the club. This is where investing and learning to invest happens. And
it all came about due to a competitive, contrarian impulse.
When I first met Heimdallr he told me about the origin of the club, to give a space for people to actually do value investing. He also noted of his peers that they, ‘don’t know shit.’ A lot of the kids want to trade derivatives and options … half of the street doesn’t know how to trade that stuff.’ So the investment club, sticks to small stocks and, ‘avoid[s] following trends and analysts reports.’ He noted, specifically, that ‘analysts’ reports, on average … do worse than markets.’ To train people to do real investing and not follow analysts or chase appealing, though poorly understood investments, Heimdallr and his friends founded an investment club to invest their own money, and meet weekly to decide how to do this. Insodoing, they embraced a mode of learning-as-apprenticeship, a mode that anthropologists have long observed and that Lave and Wenger (1991, Lave 2011) called ‘legitimate peripheral participation.’

In their view, ‘… learning is an integral and inseparable aspect of social practice’ (1991, p. 31). They explain that, ‘Learning viewed as situated activity has as its central defining characteristic a process that we call legitimate peripheral participation. By this we mean to draw attention to the point that learners inevitably participate in communities of practitioners and that the mastery of knowledge and skill require newcomers to move toward full participation in the sociocultural practices of a community’ (1991, p. 29). Perhaps put more simply, people join other groups of people in steps and stages, gradually mastering the necessary knowledge and abilities to be full members of a community. They come from the outside in, gradually. This notion of learning should conjure apprenticeship – the slow steady process of a new person, learning at the side of an old timer. Still, there is something slightly off about this formulation in Heimdallr’s case.

There’s no doubt that he and his friends want to become successful value investors. But they don’t have master investors supervising them and guiding them, critiquing them as they go; they have the market and an imagined universe of professional and amateur investors among whom they sought a place. They, as near as Souleles could tell, were solely left to their own devices in making up their investment decisions. Anticipating, in a way, such a situation, apprenticeship without a master or group of old-timers and experts anywhere present, Lave and Wenger (1991) suggest that:

[A] community of practice is a set of relations among persons, activity, and world, over time and in relation with other tangential and overlapping communities of practice. A community of practice is an intrinsic condition for the existence of knowledge, not least because it provides the interpretive support necessary for making sense of its heritage. (98)

In this telling, it’s not so much physical co-presence, but a more general set of relations and interpretive support that allows people to make sense of a particular social identity. In this case Heimdallr and his friends are making use of markets and a larger imagined community, imitating what they think a successful investor (a contrarian) is, and holding each other to the standard of their imagined, imitative ideal.

We’ve met Heimdallr and seen a bit of how he thinks of the world as one big competition, an endless race to outsmart the herd. We’ve also seen how this is an outgrowth of his own investment sensibilities and larger social milieu, and echoes a much longer lineage of contrarian and value-investment thinking. In what follows we’ll review two genres of practicing contrarianism that Souleles saw Heimdallr and co. practice at the Club juxtaposed with archival material from Hansen’s investigation of American contrarian investment thinking. Whereas the ethnographic study of the investment club provides data on how the club members see themselves as investors and tries to shape their conduct and demeanor accordingly, the archival material gives an insight into the frameworks for that conduct and perceptions of the market that were offered to readers of such books. Taken together, these are two different ways to illuminate a contrarian sensibility.

How do you make a good investment?

There are styles in securities as there are in clothes. A security may be undervalued, but if it is also out of style it is of little interest to the speculator. He is, therefore, compelled to study the psychology of the stock market as well as the elements of real value.
Carret (2007 [1927], pp. 10–11) The Art of Speculation

Upon reviewing meeting notes, Souleles came to a very basic conclusion: contrarian thinking, largely due to the nature of value investing, suffuses and suffused every stage and step of the Club’s investing. The larger logic of all this is seeing value and opportunity where others do not. The challenge becomes, then, seeing things that would turn most other investors away, and reframing them in such a way that you will turn a profit if you invest. A relatively simple investment pitch will illustrate this.

About two thirds of the way through the Spring semester, sometime in April, the only two women members of the club pitched a mall-based, down-market, regional women’s clothing company. We’ll call it the ‘Clothes Heap.’ The pitchers noted that Clothes Heap’s target age was from 22 to early 30s or so. After briefly introducing the company the pitchers, went on to say that there is a 50% chance that Clothes Heap would go bankrupt in the next 12–18 months due to declining sales and the overall fall of retail. They noted at numerous points that what afflicted Clothes Heap also afflicted their competitors. Their claim, though, was that Clothes Heap had new management that would make the company profitable again. New management would do things like target an older market segment, refurbish stores, and establish an online presence. The basic value proposition is that, though Clothes Heap looks like it is about to fail, it’s new management will be able to turn the business around. Moreover, this managerial ability is not necessarily reflected in Clothes Heap’s financial profile. The presenters spent much of the rest of the presentation elaborating on this split between financial cataclysm and managerial hope.

As they showed slides illustrating the dire financial situation of Clothes Heap they would say things like, ‘the point of this slide [is that] the numbers are bad, that’s essentially what we’re going to say.’ ‘A lot of potential for growth isn’t reflected in the numbers, but it is in their business structure.’ In addition to having low cash flow (money coming into the company) as well as large cap x (capital expenditure, money spent on physical stuff), they also had a history of releasing the quarterly financial statements late. Despite all this, the presenters noted that Clothes Heap stores were selling 11% more products, though at a discount, suggesting that there is room to expand sales further and expand their audience. Also promising was the company’s Facebook and Twitter presence. Ultimately this would all come down to how good the CEO was at implementing these new strategies.

Following their presentation, the other members of the club asked questions designed to poke and prod the presenters pitch – Are the clothes of a high enough quality to gather new buyers? Do you two buy them? What is that gets you into the store (did the cap x spending work)? How do their financial statements compare to their competitors? What is the proportion of online to regular business? How well known is the brand? Their catalogues have gotten smaller in recent years, does that make a difference? Have other retailers tried this CEO’s strategy? Did it work?

Ultimately the Clothes Heap discussion was a classic contrarian, value investor argument. This company looks bad, but let me tell you why it’s really good. The Club’s members’ questions prodded this conversation.

Those shitty analysts …

In addition to the specifics of a given company, contrarian investors have to take stock of their investing colleagues and peers, the herd, the crowd who don’t see what we see. Put another way, the Club had to imagine their competition and respond to them. What this practically looked like was, sometime in the course of every investment pitch, someone would ask: How many analysts are on this stock? Has this been covered already? How long ago? Where’d you hear about this pitch? The reality was, too, that given that this was a student investment club, most ideas came from hedge fund quarterly letters, things other people they knew were buying, or, horror of horrors, analysts’ reports. What this looked like in the courses of a pitch will help:
One of the first pitches Souleles saw was, in the estimation of the presenter, ‘long,’ ‘convoluted,’ and full of ‘plenty of names.’ Most simply they were making investment pitches on two publicly traded companies that owned parts of each other. The overall idea was that there should be a relation between the two companies’ stocks prices due to the fact that they owned parts of each other. Moreover, this relationship should be fairly mathematically obvious, and if either stock price diverges in either direction, there are investing opportunities either going long (hoping the price goes up) or short (betting the price will go down). More specifically, one company was a sort of holding company for the other. The calculation would simply involve determining the book value (the price based on publicly reported financial data) of the subsidiary company, the book value of the holding company, and then figuring out whether the stock market was ‘correctly’ pricing the respective stock. The specifics of their reasoning and the investment suggestion they came to exceeds the scope of this article. However, the sorts of questions the presenters got does not.

Early on the presenter noted an analyst at the investment bank UBS said that one of these companies, ‘was a buy opportunity.’ As soon as the presenter said this the club erupted with the sentiment that people shouldn’t, ‘follow analysts too closely,’ or even ‘trust them.’ The presenter ably deflected, saying that he wasn’t taking the analysts advice or reasoning, but was invoking the analyst because, ‘it meant the stock trade was on people’s radars.’ Left unsaid but understood was that, ‘we’ll outsmart that analyst.

The pitch rambled on, rolling through environmental liabilities, chemical manufacture of various oxides, oligopolistic competition, the nuances of manufacturing in China, the commodity price cycle, the joys of doing business in Scandinavia, German business taxation, the death of an executive, what heirs would do with their stock, and so on. Eventually someone talked about some analysis they had read on the website ‘Seeking Alpha.’ Alpha refers to the greek letter in a linear regression equation symbolizing the amount you might add to the product of a slope (beta) and an x intercept. Alpha is that extra something, the edge, the understanding you have of the market that no one else does that allows you to find value and make money. Seeking Alpha, in turn is a website of free-lance-written articles offering investing advice, with various levels of access afforded to various subscription plans. Members of the club both invoked Seeking Alpha incessantly and derided it just as often. This time was no different.

After coming up a few times in the course of the presentation, finally, one of the presenters said, ‘People on Seeking Alpha are shit-heads.’ The club erupted in laughter. Talking over the howls, he said, ‘the free stuff on [Seeking Alpha’s] site is shit … a monkey could do the valuation [on this particular company],’ and get whatever number you wanted. The difference, left unsaid, was that they could both do these valuations and appreciate all the other things going on with the two companies that would let them.

Banishing the imagined shitheads from the room satisfied the contrarian desire to denigrate one’s slower market opponents, at least for this pitch. The simultaneous fact of relying on analysts for information and deriding their analyses and the thought of taking their advice would haunt every investment conversation Souleles heard. There was a fear of being the sucker, the rube, and a sense that to be a good investor meant to separate oneself from the monkeys on Seeking Alpha, or writing reports at investment banks (a sort of job that no small number of club members would likely occupy).

As fresh as this all might seem to members of the club, there is a long story of precisely this sort of ambivalent relationship between analysts and investment decisions. Historically, being skeptical about the value of financial advice, financial news and the views of financial analysts has been seen as a virtue by contrarian investors. Just like some financial writers argued that you could get ‘tickeritis’ (Harper 1926, p. 10) or ‘ticker fever’ (Lefèvre 1901b, p. 72) from sitting all day watching the ticker spit out tape, financiers could also catch a case of ‘paragraphesis’ (Ross 1908, p. 86) from paying too much attention to the stories brought in the newspapers. Although labels like ‘tickeritis’ or ‘marketitis’ (Wolf 1966 [1924]) were to some extent used in a joking manner, the assumption that external influences could intoxicate the individual’s mind was by no means considered a laughing matter. Contrarians’ views on externally produced financial advice and news have, however, seldom been unambiguous. On the one hand, financial news and the work of analysts were considered
essential sources of information through which the sentiment of the market could be detected. On the other hand, one should always be careful around these sources of information since they could be deceiving and contaminate the mind of the investor, hence the Club’s scatological obsession with simian spreadsheet operators.

The main advocate of contrarian investment philosophy in the early-twentieth-century, Humphrey Bancroft Neill advised readers of his market letters, pamphlets and investment advice handbooks to ignore the opinions of other including the ones disseminated by financial journalists. He suggested that the small or amateur investor (the equivalent of today’s retail investor) should emulate the big stock operators and refrain from reading the financial pages of newspapers. Professionals seldom wasted their time reading financial news for the simple reason that they wanted to ‘formulate their own judgments from cold statistics’ and would not risk being swayed by popular opinion, because popular opinion tended to be wrong (also) when it came to the stock market (Neill August 1930, p. 13). This is similar to the sort of fundamental analysis that members of the Club would always offer as a foundation to their pitches. For Neill, Financial news, analysts’ reports and other external influences were threats to the soundness of judgment and sources of mental derailment. Approaching his readership in the first person, Neill advised the newcomer to the world of investing and speculation to:

Close your mind to the opinions of others; pay no attention to outside influences. Disregard reports, rumors, and idle boardroom chatter. If you are going to trade actively, and are going to employ your own judgment, then, for heaven’s sake, stand or fall by your own opinions. If you wish to follow someone else, that is all right; in that case, follow him and do not interject your own ideas. He must be free to act as he thinks best; just so must you when trading on your own initiative. (Neill 1931, p. 146)

The point was thus that investment decisions required unbiased reasoned judgment and people should shy away from taking the seemingly easy route and simply follow the whims of popular opinion. However, although the contrarian investor was not supposed to pay attention to analysts’ reports and other sorts of financial news, it was nevertheless necessary to somehow ‘read the crowd in order to go against it and thus be what Neill termed ‘intelligently contrary’ (Neill and Tyson 1932, p. 4). Hence, the investor or speculator had to try to read the crowds next move without paying attention to popular opinion or at least without being swayed by it.

**On becoming a good investor**

Though the struggle against the dreaded group think that public stock analysts represented was constant, the ambivalence/hate relationship with Seeking Alpha and its army of freelancers was the most consistent foil for Heimdallr and the Club. We suspect there was something in the amateur status of the Seeking Alpha horde that made sinking to their level a potent, and therefore frightening possibility. Given this, Souleles was all the more surprised, in one meeting towards the end of the semester when a representative from Seeking Alpha came to visit the Club and see if people in the Club wanted to write for the site.

The presenter had been a stock analyst at a large, prestigious investment bank, eventually drifted into freelance analyst work, and then, eventually, managing other freelancers at Seeking Alpha. He noted that the benefits were significant – pieces posted to the site could reach thousands of Seeking Alpha’s 3.1 million registered users, or make up some portion of Seeking Alpha’s 180 million page views, or 130 thousand monthly comments. Moreover, in the presenter’s estimation at least, 40% of the people that used the site were some form of financial professional. The presenter was hoping that Club members would consider writing for $250 per article ($500 if an article becomes a ‘top idea’), on under-covered and mispriced assets, essentially the work the club was doing anyway.

The presenter suggested, too, that this would be a way to make a name for yourself as some hedge fund manager might just see what you were writing. He suggested that this was exactly the type of person who subscribed to Seeking Alpha pro (price: $8,200 per year in 2014). Seeking Alpha pro users got to see things before the millions of normal users, ahead of the herd as it were. He noted, too, that ‘Establishing a track record is key [; you need to establish a] documented history of market-beating
ideas.’ This would give you the edge in getting a job out of school. He noted that fund managers recruit from Seeking Alpha. Plus, if you write 12 articles you get access to Seeking Alpha pro. Anyone can say they’re in an investment club. Who can prove they regularly make market beating ideas? Perhaps the best way for Club members to beat the employment market was to become someone else’s sucker on Seeking Alpha. Perhaps, too, their openness to Seeking Alpha shows how flexible contrarianism is. It’s always shifting so that you’re the center of the universe and crowds are measured relative to your location. In regards to Seeking Alpha and club members, we’re at least sure, though, that they would execute their trade before they let everyone else know about it by publishing an analysis.

Ultimately Heimdallr and club members, to become investors, did two things which we think are utterly common and of long historical precedent but could, perhaps be better represented in social science literature on finance: (1) they learned to be investors by stages and steps against an imagined community of investors and fools, imitating one and shunning the other, all against the backdrop of a turbulent, though knowable market and (2) they drew upon a long standing habit of thought in American investing: contrarianism.

What’s all the more remarkable is that Heimdallr and all the other members of the club, without any special scholarship or obscure reading, ended up parroting the language, and enacting the sentiment of contrarian investment thinkers who preceded them by over 100 years. Both members of the club and market-polemicists from the turn of the twentieth century saw much of the market as an undifferentiated ignorant mass. They sought to go against prevailing investment sensibilities, and they thought that seeking value where others were blind was the road to investment profit. They worried about being tainted by ill-informed market advice, and closely guarded their insights. Why, then, are there these parallels?

It seems that contrarianism is one basic, durable response to the turbulence of financialized capitalism. The future is still fundamentally unknowable, and any given market movement might still be characterized as a random walk. Contrarian ideas are one mainstay of making sense of all of this. Warren Buffett, investor and CEO of the conglomerate corporation Berkshire Hathaway is a decent example of how the durability of these ideas might be seen. An ambient quote often attributed to him goes something like this: ‘When investing it’s good to be fearful when others are greedy, and greedy when others are fearful.’ In his equipoised fear and greed, he sums up the logic of contrarianism. Warren Buffet is worth somewhere north of US$80 billion. Members of the Club saw Buffet as an inspiration and his longevity reaches to the living memory of Hansen’s early contrarians (much like his fortune, his age is in the high 80s). We suggest no straightforward bridge or transmission of light, but rather that Buffet is an example of the ways these contrary ideas can persist and that novice financiers can work their way into them.

As long as markets are still chaotic, random, and unpredictable, and as long as people believe markets are full of an unreasoning zombie horde, we suspect it will be good to avoid being a shithead.

Notes
1. To get a sense of how the club fit into this larger moment, Souleles took a sample of the first fifty universities on the U.S. News and World Report American University rankings, and did a google search for ‘[university name] undergraduate investment club’ and then made a spreadsheet of university, year, name of club, and web site, picking the oldest and most independent investing club Souleles could find. Of the first 50 universities, 29 had investing clubs of which 15 managed some small portion of the university endowment, and 14 managed their own money (like the Club). After one outlier club starting in 1964, from 1978 onward there is a steady spread of investment club founding, with no more than three founded in any given year.
2. It was only when the Federal government first issued so-called ‘war bonds’ to fund the military effort in World War I that a significant part of the American public turned investors (Ott 2011).
3. While there were numerous bucket shops in the financial districts of New York City and Chicago, there were also shops opening up in rural areas of the country. As Levy (2012) has shown, the spread of bucket shops in America was to a large extent associated with the proliferation of futures trading. When organized futures markets opened in rural areas, bucket shops tended to follow (Levy 2012, pp. 232–233).

5. As has been argued by Hansen (2015, 2017, see also Stäheli 2013, 2006) the contrarian approach to investing and speculation was popularized in the investment advice literature and took shape as a market philosophy or a market mindset rather than an actual strategy. In contrarianism, the economically right way of conducting oneself coincided with what was considered the right moral disposition. It was not only profitable not to follow the majority’s lead, it was also the right thing to do since the crowd tended to disturb or derail individual decision-making and thus autonomy. In direct opposition to this view we find John Maynard Keynes, who was not appreciative, to put it mildly, of what he referred to as the ‘beat the gun’ approach of speculators whose primary aim was to ‘outwit the crowd’ (Keynes 1936, p. 155). Although it did not resonate well with Keynes’ idea that investment ought to be about long-term expectations rather than short-term gain, he reluctantly acknowledged that it was in many ways easier to try to ‘guess better than the crowd how the crowd will behave’ than to try to determine value in seemingly distant future (Keynes 1936, p. 157). When Keynes was managing the endowment of King’s College at Cambridge University between 1921 and 1946 he displayed ‘significant contrarian behavior’ during his best-performing years (Chambers et al. 2015, p. 863). As an investor, Keynes thus seemed to be committed to a strategy of anticipating and counteracting the behavior of the crowd.

6. The notion of the ‘psychological crowd’ was not one that Hoyne had come up with himself. Hoyne’s conception of market crowds and their impact on the cognitive capabilities of individual market actors was heavily informed by the crowd theory of the French polymath Gustave Le Bon, as laid out in The Crowd (1895). The loss of individuality or personality that many people had experienced when becoming part of a crowd was, according to Le Bon, the main danger of the crowds. They sucked the individuality and with it the rational judgment of people and made them succumb to the spell of the collective mind. Being swept up in a, compared with the individual, intellectually inferior psychological crowd was, according to Hoyne, the worth imaginable thing that could happen to a speculator.

7. In a 1977 advert celebrating the tenth anniversary of the Fidelity Contrafund, Edward Johnson II and Humphrey Neill are pictured with Johnson II asking: ‘Mr. Neill, on behalf of Fidelity, I’d like to acknowledge your theories that led to the development of the Contrafund’. In 2015 Hansen visited Neill’s private archive and library in Saxtons River, Vermont, and came across a letter from Johnson II to Neill in which the former writes appreciatively about Neill’s writings, as well as the advertisement for the Fidelity Contrafund. Besides subscribing to Neill’s bi-weekly market letter on contrary opinion, Johnson II was a vivid reader of late-nineteenth and early-twentieth-century crowd theory including Gustave Le Bon and Sigmund Freud and thus believed that crowd psychology did have a significant influence on markets (Goodman 1967).

8. There’s a maddening circularity to this particular requirement: you have to do a stock pitch to join a society to learn how to do stock pitches.


10. For a description of analysts professional practice see Winroth et al. 2010, pp. 10–12 as well as Blomberg 2016, pp. 288–9 on ‘fundamental’ analysis.

11. The historical ‘archive’ consists of over 230 handbooks on investment and speculation published between 1890 and 1940 as well as academic and non-academic journal articles from the same period (Hansen 2017). The ethnographic archive, again, consists of notes on a semester’s worth of meetings, group e-mail correspondence, as well as interviews with key club members

Disclosure statement

No potential conflict of interest was reported by the authors.

Notes on contributors

Daniel Souleles is an anthropologist and associate professor at the Copenhagen Business School. He has published work in Economic Anthropology, Economy and Society, and Critique of Anthropology. He also has written an ethnography of private equity investing, Songs of Profit, Songs of Loss: Private equity, wealth, and inequality, with the University of Nebraska Press.

Kristian Bondo Hansen is an assistant professor at the Department of Management, Politics, and Philosophy, Copenhagen Business School, Denmark, where he is part of the research project ‘Algorithmic Finance: Inquiring into the Reshaping of Financial Markets’. His research focuses on the history of speculation and perceptions of collective action
in different genres of finance literature, as well as the proliferation of new technologies in the modern-day financial markets. Kristian has published in journals such as Economy and Society and Environment and Planning D: Society and Space.

References