



The Futures: The Rise of the Speculator and the Origins of the World's Biggest Markets

Emily Lambert

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In *The Futures*, Emily Lambert, senior writer at *Forbes* magazine, tells us the rich and dramatic history of the Chicago Mercantile Exchange and Chicago Board of Trade, which together comprised the original, most bustling futures market in the world. She details the emergence of the futures business as a kind of meeting place for gamblers and farmers and its subsequent transformation into a sophisticated electronic market where contracts are traded at lightning-fast speeds. Lambert also details the disastrous effects of Wall Street's adoption of the futures contract without the rules and close-knit social bonds that had made trading it in Chicago work so well. Ultimately Lambert argues that the futures markets are the real "free" markets and that speculators, far from being mere parasites, can serve a vital economic and social function given the right architecture. The traditional futures market, she explains, because of its written and cultural limits, can serve as a useful example for how markets ought to work and become a tonic for our current financial ills.

The Futures: The Rise of the Speculator and the Origins of the World's Biggest Markets Details

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Eliot says

An enjoyable, if surface-level read. Lambert must have just sat down with a bunch of old traders at one of the oft mentioned pubs and asked for stories of the good ole days at the CME and Chicago Board of Trade. Good, brief history of the development of futures and options markets, if that's your thing.

Jane says

As someone who lived in Chicago and worked in the industry (as an accountant) I found this book extremely interesting if somewhat confusing at times. For example, when the author mentioned "spoops" I remembered that it had been in the book previously. However, the index did not include the term so I could not go back and review what the term means (something to do with the S&P Index, I think.) There were many times that I wanted more facts and less color commentary. The book removed some of the mystery but left me wanting more.

Converse says

The Futures is an informal history of futures markets, mainly focusing on the now merged exchanges in Chicago, the Mercantile and Board of Trade. Futures markets involve buying and selling contracts for the future delivery of either a tangible (wheat, corn, soybeans, hog bellies (the raw material for bacon), and so forth) or intangible products, such as bonds. Most traders have no intention of taking delivery of the product and are trying to buy low and sell high. Futures contracts came into being in Chicago in the nineteenth century as a way for buyers and sellers to deal with the seasonal volatility in grain prices. Inspired by this example, other commodities became subject to futures contracts. Futures contracts on intangible products became common after about 1970.

Futures contracts can be used to reduce the risk of future price increases, such as when an airline buys a contract now to ensure it will have jet fuel it can afford in the future. Futures contracts can also exacerbate risk. The credit default swaps, thought to have played a prominent part in the financial panic of 2008, are logically indistinguishable from futures contracts, other than not always being standardized, but were not regulated as futures contracts because of the success of the New York financial community in preventing regulation.

I found the book too anecdotal for my taste, as much of the text tells how various traders became involved in the business. I would have liked more material explaining the mechanics and thought behind futures contracts, as some of the concepts are still puzzling to me. I also was put off by the unconvincing machismo that many traders exhibited in the days before most people traded by computer, and which the author seems to accept at face value. These guys (and they were mostly guys, even after the boys decided in the third quarter of the twentieth century that it would be okay to have girls in their clubhouse) were standing around tables yelling to clerks and fellow traders; they stood to lose (their own) money, but were not at risk of life or

limb. I was impressed that the futures markets in Chicago did, at least before computerization, allow many men from ordinary backgrounds without college educations to become wealthy if they had a knack for trading.

Caroline says

I don't know how to sugarcoat this, so I'm just going to say it.

This. book. sucked.

The Futures was terrible. If you want to learn more about futures markets, for the love of God do NOT read this book. If you DO want to just read chapter after chapter describing the inside of old Chicago buildings and listing the names of individuals who at one point had a tangential connection with the Chicago Mercantile Exchange, congratulations, this is the book for you.

Evidence of how unpleasant this reading experience was: I started this book on September 16th and didn't finish it until NOVEMBER. It's only 240 pages, for crying out loud! It completely killed my momentum and probably cost me a good 3-4 books on the year.

The thing I still can't get over is that you could read this entire book and if you didn't know what a futures contract was prior to cracking it open, you wouldn't be able to explain it by the end. That's madness. It completely side steps the mechanics of how the market works and instead I guess tries to focus on the "human" story? Except the human story is dull as dirt. It felt like an oral history gone terribly wrong.

I read this because while I was interested in the history of the founding of the world's first futures market, I also want to further delve into the intricacies of how futures markets work. *The Futures* provides no such insights. You'll learn more watching *Trading Places* and it'll be a hell of a lot more enjoyable to boot.

Danny Pasternak says

Interesting account of the Futures markets based in Chicago. Provides compelling stories and historical origins of the world's biggest markets. Provides insights into why these markets exist the way they do now as well as the key transformations they have undergone over the years. Little focus on actual futures trading strategies and the technical characteristics of the instruments themselves.

Erwin says

Much like The Asylum: The Renegades Who Hijacked the World's Oil Market, but with more hyperbole along the lines of Mezerich's Rigged: The True Story of an Ivy League Kid Who Changed the World of Oil, from Wall Street to Dubai, Lambert just reviews a bit of the futures market for people that don't know why we have a futures market.

I added an extra star (two - would have been one) because if I look back at the title/subtitle, it should be obvious that I didn't need to read this one...

Oddly enough, I haven't been to Chicago yet, and the most interesting part of the story was in its description of the transformation of Chicago from a frontier town, to a post industrial... uh... city?

This Amazon review did a much better job summing it up than I could, but the highlights were:

"The Futures" is delivered as a flat midwestern yarn -- as if told by a Chi-town native, holding forth on a barstool over beers.

The story begins with Chicago's founding in the early 1800s. We find out how the futures business, originally built around grains, was a byproduct of Chicago weather: When the canal and river froze, farmers were forced to store their crops, thus creating gluts in the spring -- and the need to lock in sale prices in advance. By the mid-1860s, the first prototype of the U.S. futures contract had arrived.

To be clear, Lambert's book is not a primer on trading. Instead it is a series of narratives, tracing the beginnings of futures trading (and the Chicago exchanges themselves) to the present day.

"The Futures" is also largely the story of onions and eggs -- the original commodities of the "Merc" or Chicago Mercantile Exchange. Lambert recounts how the CBOT was predominantly Irish and the CME Jewish: If your last name was Murray you were Board of Trade, but if your first name was Murray you went to the Merc. The onion trade was eventually banned by congressional order (at the request of angry onion farmers), while the egg trade revolved around the "butter and egg men" of Fulton Street.

Unlike onions, the egg trade was done in by modernization: Eventually chickens were laying eggs year round, which took the seasonality out. But by the time eggs went away, the bigger businesses -- currencies, indices and interest rates -- were just getting going.

There is very much a "right place, right time" aspect to the later explosive growth of the exchanges. Interest rate futures came into their own as the Volcker Fed wrestled with inflation in the early 1980s, causing bond prices to fluctuate wildly. Currency futures had started in time to take full advantage of the post-Bretton Woods era. And the big daddy of them all, stock index futures, got rolling with the help of a tax advantage at the start of the long-running bull market.

By the close of the story, the color and the craziness is clearly fading, the pushers and shovers in brightly colored jackets being replaced by the quiet hum of computers. Gone are the days of frantic hand signals, spontaneous fist fights, and drug-using clerks wearing goggles to protect their eyes against paper cuts. As Chicago modernized itself, going from stockyards to towers of steel and glass, so too did the futures industry. The new era is electronic, and global.

That makes it all the more fun, though, to revisit this fast, amusing tale of how the exchanges grew up with the Windy City, and the gritty roots of how it all came about.

Brian Krause says

What most of the other reviewers miss is that this book is not intended to explain the uses or inner workings

of the various futures and derivatives markets that developed in Chicago in the 20th century. It's clear that Lambert was not attempting this at all. Rather, "The Futures" is a narrative history that fairly accurately and accessibly traces the evolution of the CBOT and Merc and explains the origins of the various markets and contracts that developed overtime.

My advice to the other reviewers that were disappointed that Lambert did not do a better job "explaining" the markets would be to pick up one of the numerous textbooks that Lambert references directly in the text or in her source section.

David Nealis says

The Futures, written by Emily Lambert, a senior writer at Forbes magazine.

The Futures is a good book, especially if it is your first book into the history of the Chicago Exchanges. Emily Lambert does a good job at laying out some basic history of the exchanges and she organizes the chapters by commodity which is convenient. She makes the subject matter interesting by going through the list of the usual suspects, to her credit she also comes up with some people we don't hear from much anymore like Maury Kravitz, she also describes his hunt for Genghis Khan's treasure ,which I always thought was cool. What made the book interesting for me was that one of the characters in the book is Bill Henner a 3rd generation trader who happens to be a friend and a business associate of mine, It was nice to see him in the book.

Overall, It is a good book, though I wish it was a bit more balanced; She had the cigar smoke and pinky rings scene down, but I was hoping that she also included the positive aspects of what the Exchanges have to offer and the people who have dedicated their careers to working in them.

Melinda says

Fascinating read. Loads of research and very well presented information in these pages. Probably have to read again to take in more of the concepts in here...economics is not my strong suit - but this book gave the layperson (ie: me) a good view into the history of the futures markets. Crazy crazy stuff

keatssycamore says

Not what I was looking for. There's nothing technical in here. Instead, it's an occasionally stimulating history of various futures markets (focusing on Chicago and traders) but since that's not what I wanted, I kind of wish I would've read that history of the *A & P*.

David Fulmer says

This book presents a description and history of the Chicago-based exchanges where commodity and financial futures have been traded for over a hundred and fifty years. Begun in the mid-nineteenth century as a way for farmers and other producers of commodities to hedge or protect themselves from falling or rising prices and for speculators to profit off the same changes in price for things like grain, soybeans, and meat, the Chicago Board of Trade and other exchanges sprang up between the vast American breadbasket out west and the hungry markets to the east. On this and other exchanges futures contracts - basically an agreement to buy or sell these commodities with delivery set for some time in the future - have been traded, originally in pits or sunken bowls with steps populated by traders but now increasingly by computer via the Globex trading system.

Emily Lambert includes a capsule history of these institutions and their evolution along with some basic, easy to follow descriptions of the financial instruments that are traded but her real strength is in the journalistic reporting on the personalities that have been attached to the trading of futures in Chicago, particularly in the latter half of the twentieth century. Much of the book reads like an oral history of the Chicago Board of Trade and the Chicago Mercantile Exchange as they gradually transitioned from being primarily commodities exchanges of great value to the business of farmers and large agricultural companies to what they are today, globally important financial exchanges offering a variety of financial derivatives based on stock index futures, interest rates, and currency exchange rates.

Lambert covers these more modern, more complicated futures, but there is a dearth of local color and fewer eccentric characters to attach the narrative to as the tide of high finance sweeps away the oddballs who previously made their fortunes at the exchanges, often through some family or neighborhood connection in the Windy City. While I would have appreciated a more rigorous or academic historical approach with more facts and figures, Lambert's extremely thoroughly reported history of Chicago as a financial center and the way in which it developed from a market for raw goods to a sophisticated financial city captures a warm human angle of this piece of financial history.

Tim O'Hearn says

This is a captivating book providing a cohesive historical account of the futures markets in Chicago. As someone who lives in Chicago and deals with futures markets each day, it would not be reasonable for me to ask Emily Lambert for any more. Am I biased because she provided a hilariously accurate account of the founder of the firm I work for? Am I biased because she took the time to explain just how much liquor you get when you order a drink at Ceres Cafe? Am I biased because the tall brick cold storage warehouse in Fulton Market that she described in detail now houses one of my favorite restaurants? Somewhat.

The truth that others seem to be wrestling with is that this is not a futures textbook. I've come across quite a few futures textbooks. They don't resemble this in format or in diction. The back cover describes *The Futures* as a "rich and dramatic history of commodities exchanges" and that's exactly what it is. It's a valuable, fun, and endearing book that aggregates a large portion of Chicago's history into barely two hundred pages. Dare I say it should be on any Chicagoan's must-read list.

Even since moving here, I have seen the continued transformation of Fulton Market as the last wholesalers

have been (happily, I might add) bought out and replaced by restaurants, social clubs, and other establishments that are quickly transforming it into one of the hottest neighborhoods in America. I guess this book helped validate my paying exorbitant rent, but it also gave me a lot to think about. It is at times a struggle to remain grounded in my appreciation for where I came from while simultaneously mixing with the bourgeois, so I really appreciated the sense of admiration that Emily had for the pioneering laborers who made Chicago what it is today.

See this review and others on my blog

Micah says

So... I guess I know a little bit more about futures markets than I did before I started reading this book. But not as much as I should, given that I just read **a whole book** about them. This book is long on minutiae about the history of the Chicago Mercantile Exchange and Chicago Board of Trade and short on explanations of how futures markets exactly work.

Curtis says

The whole concept of futures is completely ludicrous to me anyway and reading a book that glorifies the history of men who have fueled the fires of ruthless profiteering in these brutal unregulated markets is really frustrating. The book is not all that well written either or I may have bumped this rating up to 3 stars.

Ed says

Granted, The Rise of the Speculator and the Origins of the World's Biggest Markets is a huge, sprawling topic. But Lambert illuminates very little of it in these pages. Her many reports on this topic published at Forbes magazine shed more light than this book.

There's little content in these pages. Her narrative would have been much better if she had narrowed her focus & deepened her analysis.
