



INTRODUCTION TO POLITICAL ECONOMY

Speculation in Political Economy: What It Is and Why It Matters

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Summary

01 A Brief History of Speculation

02 What is Speculation?

03 Good side of Speculation

04 Dangers of Speculation

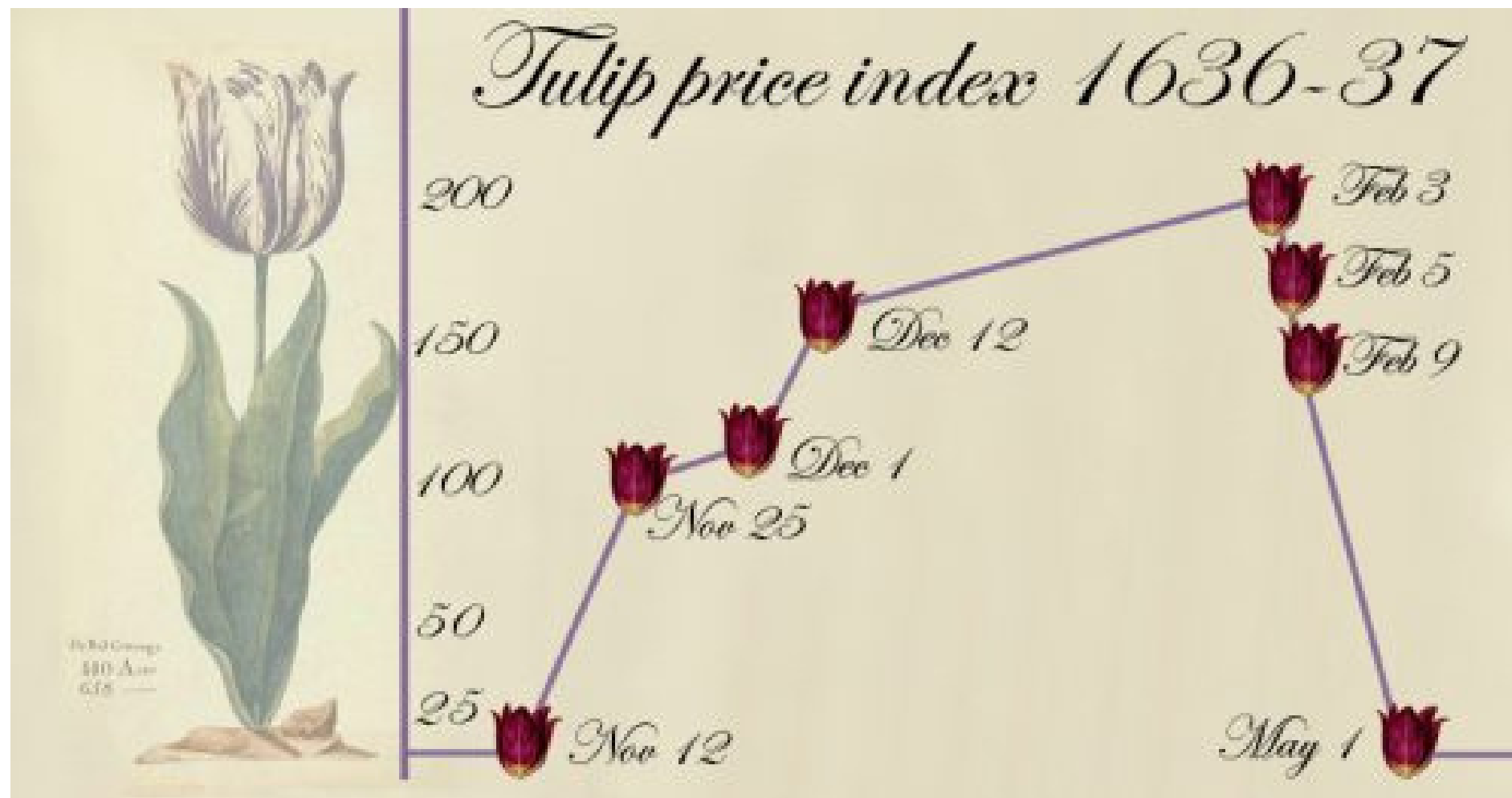
05 Speculation in Modern Technology Markets

06 How Can We Regulate Speculation

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A Brief History of Speculation

- Dutch Tulip Mania (1600s) -> first recorded bubble
- 1929 Stock Market Crash -> led to the Great Depression
- 2008 Financial Crisis -> Real estate speculation caused a global recession



What is Speculation?

- Investment vs. Speculation :
 - Investment = Long-term growth
 - Speculation = Short-term profit
- Buying not to use, but to resell later
- Happens in stocks, real estate, commodities, crypto...



The Good Side of Speculation



Liquidity -> More buying/selling = active markets



Price Discovery -> Speculators help set prices

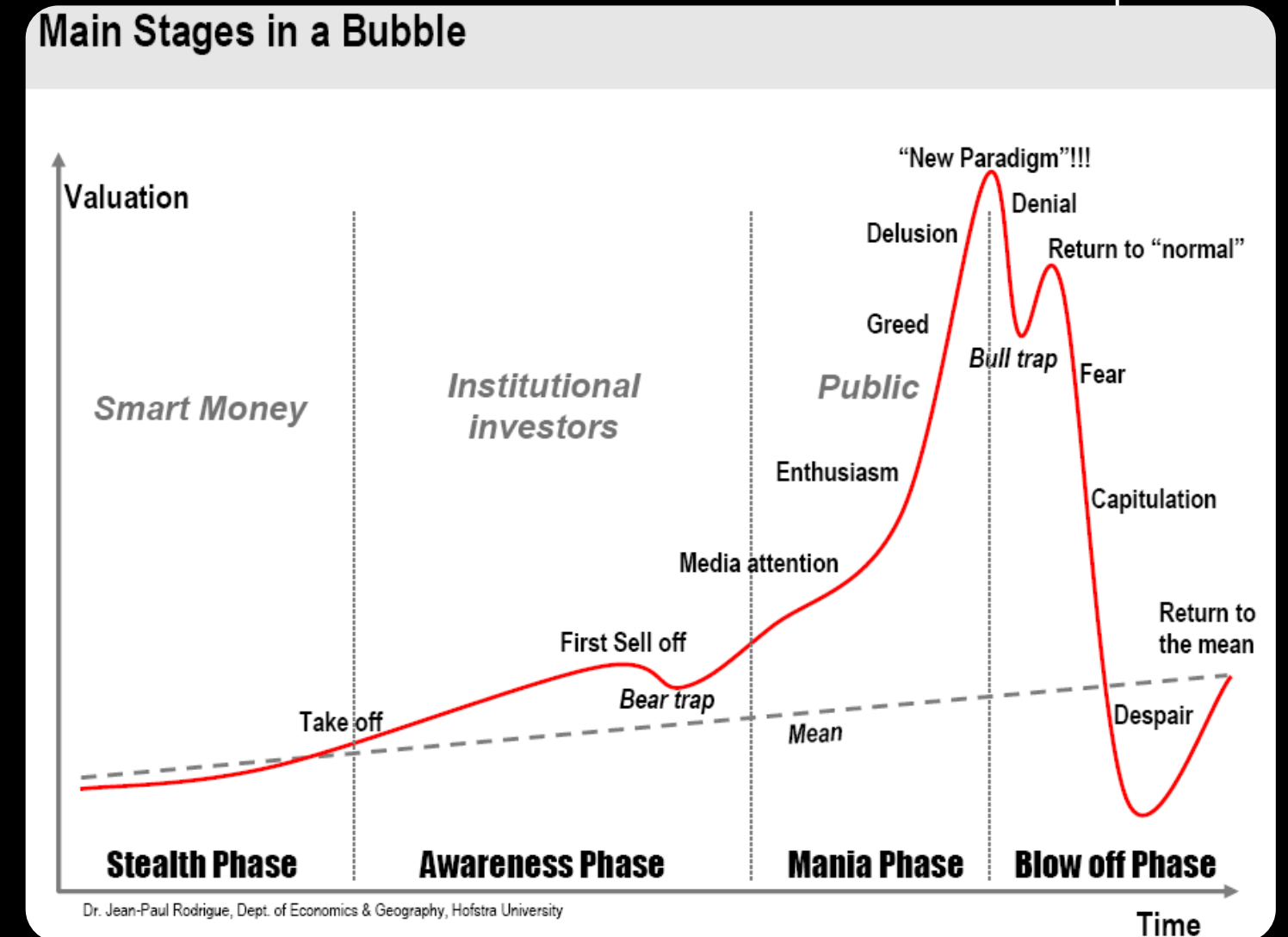


Risk Management -> Protects businesses from price changes



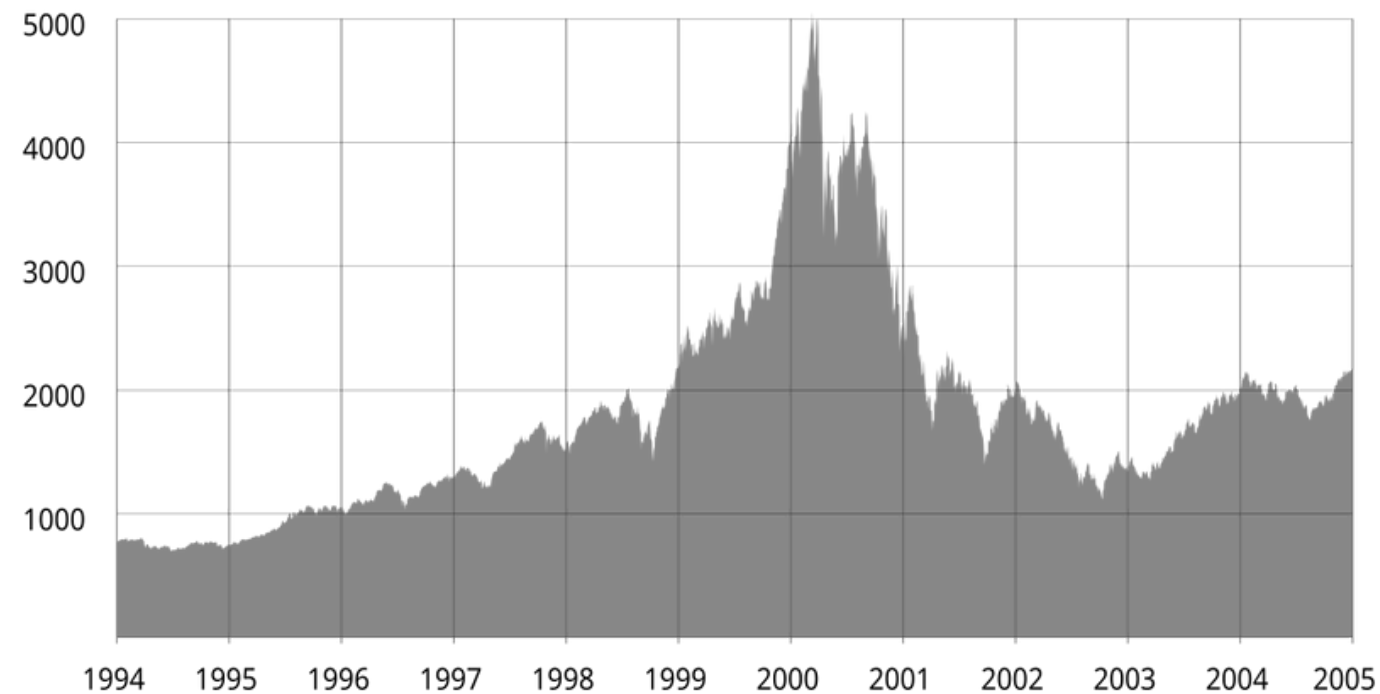
The Dangers of Speculation

- ❌ Market Volatility -> Prices change too fast
- ❌ Bubbles & Crashes -> Prices rise too much, then collapse
- ❌ Wealth Inequality -> Makes rich people richer, harms the poor



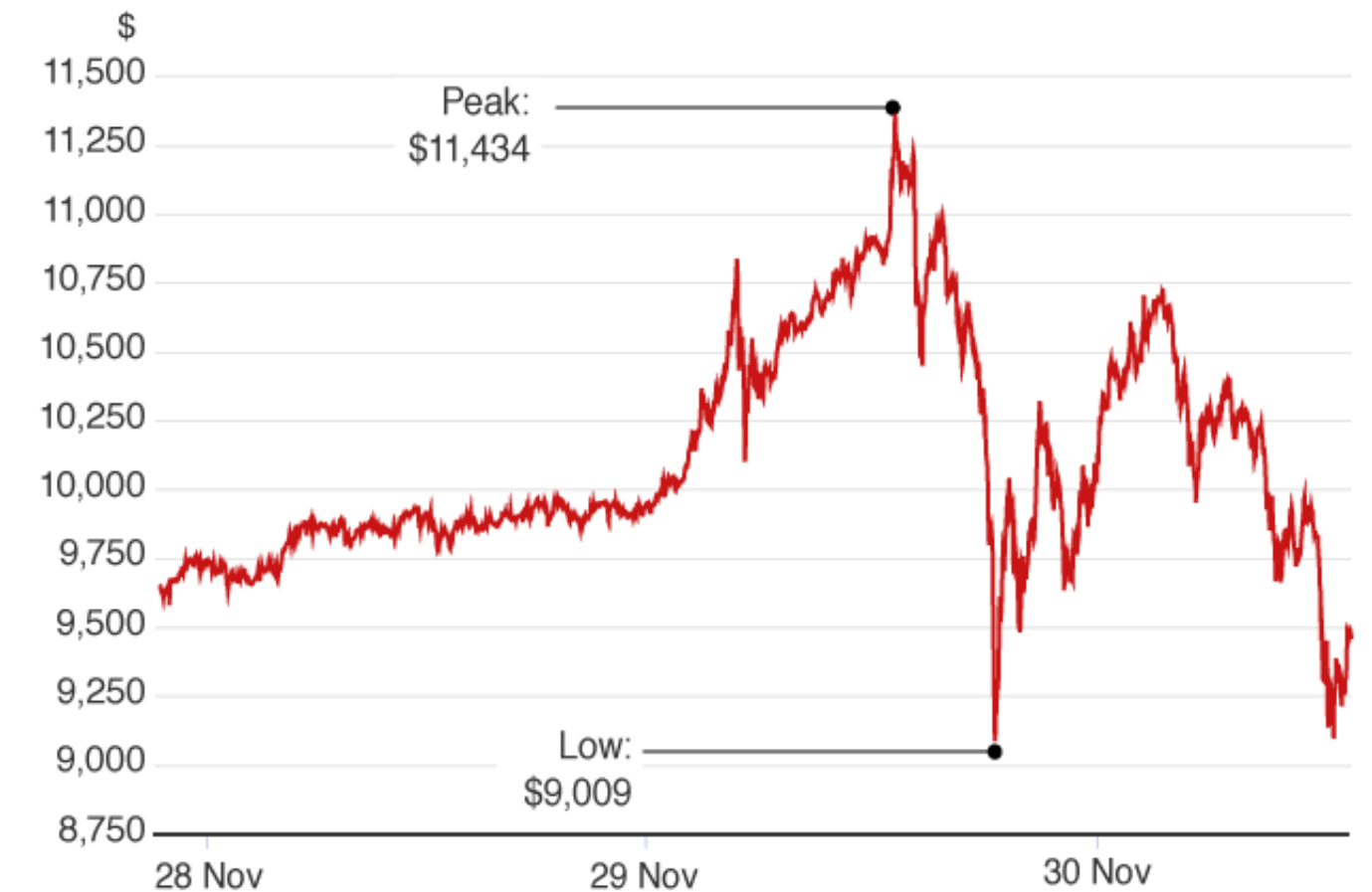
Speculation in Modern Technology Markets

- Dot-com bubble (1990s) -> Tech stocks overvalued, then crashed
- Bitcoin & Crypto -> Prices exploded, then fell



Bitcoin's roller-coaster

Bitcoin exchange rate with US dollar, 28-30 November



Source: Bloomberg. Last update: 15:10GMT

BBC

How Can We Regulate Speculation?

Financial
Transaction Tax

Laws like Dodd–
Frank Act

Position
Limits

Conclusion

- Speculation can be good -> Helps markets work
- But can be dangerous -> Crashes, crisis, inequality
- Governments must find the right balance



Sources

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