Pope Francis Doesn't Understand Speculation

In a recent visit to a steel factory in Italy, Pope Francis said, "One sickness of the economy is the gradual transformation of entrepreneurs into speculators."

"The speculator doesn't love his business, doesn't love the workers, but only sees the business and workers as the means to make profit," the pontiff added.

But the pope doesn't seem to understand what speculators do, says Luanne Zurlo. What Francis blames speculators for doing, says Zurlo, is not speculating but rather engaging in "crony capitalism":

> Engaging in speculation need not be evil, nor even a little bit wrong.
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> The wholesale demonization of speculators reflects a lingering misunderstanding of how markets work.
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> In economics, "speculation" means making a prediction about a future outcome.
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> Since the future is uncertain, making decisions about the future entails some degree of risk. In the world of finance, speculation implies taking on high financial risk in hopes of achieving a large financial gain, typically over a short-term period.
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> In fact, we are all speculators including, and especially, entrepreneurs. Waiting to buy a car in expectation that the same car can be bought in the future at a cheaper price is speculation.
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> In his Genoa remarks, the pope describes ugly business practices that are, indeed, too common. They just aren't

> what business or finance professionals understand as speculation.
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> Speculation has become a catchall phrase for any kind of nefarious business activity, real and imagined.
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> “The speculator does not love his company, he does not love his workers, but sees business and workers only as a means to make a profit,” Francis said.
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> What the pope condemns here are owners and managers who operate their businesses as wealth creation engines for themselves at the expense of employees. This is greedy and utilitarian behavior, but not speculation, properly understood.

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