



A. BALDWIN

HEROES & VILLAINS OF FINANCE

THE 50 MOST
COLOURFUL CHARACTERS IN
THE HISTORY OF FINANCE

WILEY

“Heroes and Villains of Finance provides a fascinating and insightful guide to the personalities and developments that have transformed finance and continue to do so. Anyone trying to understand where finance is now, how it got there and where it might go should read this book.”

Dr Stephen Davies, Institute of Economic Affairs

“An exciting, informative ride through the big ideas and even bigger personalities that have shaped the world of finance.”

Sam Bowman, The Adam Smith Institute

“This delightful book provides a punchy reminder that, whilst we should rightly celebrate the longevity of the vision of the heroes of finance like Adam Smith, the potential downsides of financial innovation have always been with us which we are inclined to forget.”

Professor Mike Wright, Professor of Entrepreneurship at Imperial College London and ranked #1 worldwide for publications in academic entrepreneurship

HEROES & VILLAINS OF FINANCE: THE 50 MOST COLOURFUL CHARACTERS IN THE HISTORY OF FINANCE

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**“I AM WORRIED ABOUT OUR TENDENCY TO
OVER INVEST IN THINGS AND UNDER INVEST IN
PEOPLE.”**

ECONOMIST JOHN KENNETH GALBRAITH, 1908-2006

01 THALES OF MILETUS

c.624-546 BC

Bertrand Russell once famously said that “Western philosophy begins with Thales”. Does Western finance also? Although more renowned for his philosophy and mathematics, the pre-Socratic Greek philosopher Thales was an active figure in business in his town of Miletus. Known as one of the seven sages of Greece Thales of Miletus provides us with the earliest known example of what we now know as options trading . . .

. . . One autumn, Thales predicted that favourable weather the following year would result in an above average harvest and so during the winter he negotiated with local olive press owners for the option to exercise the right to use a number of olive presses in Miletus the following year. When spring arrived, his weather forecast proved correct, upon which he exercised his ‘options’ before proceeding to rent out the olive presses at a much higher price than what he paid.

With this, the ‘option’ was born.

Whilst today, the ‘option’ industry has developed into a vast, complex market, its underlying reasoning remains the same as it was when Thales conceived it: an instrument that grants the holder the right (but not the obligation) to engage in a specific transaction, at a specific time, for a specific price.

**“...FOR THEY SAY THAT HE [THALES],
PERCEIVING BY HIS SKILL IN ASTROLOGY THAT
THERE WOULD BE GREAT PLENTY OF OLIVES
THAT YEAR, WHILE IT WAS YET WINTER, HAVING
GOT A LITTLE MONEY, HE GAVE EARNEST FOR
ALL THE OIL WORKS THAT WERE IN MILETUS
AND CHIOS, WHICH HE HIRED AT A LOW PRICE,
THERE BEING NO ONE TO BID AGAINST HIM...**

**...BUT WHEN THE SEASON CAME FOR MAKING
OIL, MANY PERSONS WANTING THEM, HE ALL AT
ONCE LET THEM UPON WHAT TERMS HE
PLEASED; AND RAISING A LARGE SUM OF
MONEY BY THAT MEANS, CONVINCED THEM
THAT IT WAS EASY FOR PHILOSOPHERS TO BE
RICH IF THEY CHOSE IT.”**

ARISTOTLE ON THALES, FROM THE POLITICS OF ARISTOTLE

02 CHANAKYA

c.370-283 BC

As the 'pioneer economist of India', Chanakya was one of the earliest and greatest contributors ever to the development of economics and political science. Living c. 370-283 BC, Chanakya was a professor of political science at the Takshashila University, and was later to become the chief architect of the Mauryan empire.

Often referred to as the 'Indian Machiavelli', Chanakya compiled many of his economic and political ideas into his book *Arthashastra*, which due to its harsh political pragmatism is widely considered a precursor to Machiavelli's *The Prince*. Standing as arguably the first systematic book on economics, the *Arthashastra* discusses numerous theories, such as monetary and fiscal policies, welfare and ethics, economic management, international relations and war strategies. Many of the topics that Chanakya introduced in the book are still prevalent in modern economics.

Chanakya believed in the power of an autocracy for effective management of an economy, with a solid legal system needing to be observed in order for an economy to thrive.

Perhaps the first person to visualize the concept of a 'nation', Chanakya's teachings offer a bureaucratic framework for the management of a society. Chanakya taught that '*artha*' (sound economies) has paramount importance for the duties and obligations of a king.

“HENCE THE KING SHALL BE EVER ACTIVE IN THE MANAGEMENT OF THE ECONOMY. THE ROOT OF WEALTH IS [ECONOMIC] ACTIVITY AND LACK OF IT [BRINGS] MATERIAL DISTRESS. IN THE ABSENCE OF [FRUITFUL ECONOMIC] ACTIVITY, BOTH CURRENT PROSPERITY AND FUTURE GROWTH WILL BE DESTROYED.”

CHANAKYA FROM THE ARTHASHASTRA

Legend has it that one night whilst working Chanakya was visited by a Chinese traveller. Chanakya immediately extinguished the oil lantern that he was working with and lit another. When the Chinese traveller asked if it was an Indian custom to do so, Chanakya is said to have responded “No my dear friend. There is no such custom. Actually, when you entered, I was working. It was an official work, pertaining to my empire, my nation. The oil filled in that lamp has been bought from the money from the National Treasury. Now, I am talking to you. This is a personal and friendly conversation, not related to my nation; so I cannot use the lamp now, as it will lead to wastage of the money of the National Treasury. Hence, I extinguished that lamp and lit this other lamp, since the oil in this lamp has been bought from my personal money.”

“TAXATION SHOULD NOT BE A PAINFUL PROCESS FOR THE PEOPLE. THERE SHOULD BE LENIENCY AND CAUTION WHILE DECIDING THE TAX STRUCTURE. IDEALLY, GOVERNMENTS SHOULD COLLECT TAXES LIKE A HONEYBEE, WHICH SUCKS JUST THE RIGHT AMOUNT OF HONEY FROM THE FLOWER SO THAT BOTH CAN SURVIVE. TAXES SHOULD BE COLLECTED IN SMALL AND NOT IN LARGE PROPORTIONS.”

Chanakya FROM THE ARTHASHASTRA

03 THE KNIGHTS TEMPLAR

c.1119-1314

The Knights Templar were a medieval Christian military organization, officially endorsed by the Catholic Church to provide a pivotal role in protecting pilgrims on their journey to visit the Holy Lands.

Despite the traditional imagery of the Knights Templar, the military face of the organization was actually relatively small; the vast majority of the organization existed to support the knights and to manage the financial infrastructure of the network.

Whilst the Templars themselves were sworn to poverty, due to their extensive sponsors (comprised of nobility and royalty across Europe), within the organization they controlled vast amounts of money throughout Europe.

However, what most people don't realize, aside from the images of swords, horses and crusades, is that the Knights Templar were actually the pioneers of multinational banking.

Many aristocratic figures wishing to participate in the Crusades would entrust the Templars with their wealth whilst they were away. In return, the Templars would issue a 'letter of credit' for the pilgrims. The vast network of Templars stretching across Europe and to the Holy Lands allowed the system to function efficiently. The pilgrims would deposit their valuables with a local Templar before departure, receiving a document indicating the value of their deposit, which they would then use upon arrival in the Holy Lands to retrieve their funds. In addition, by not carrying their wealth on their person whilst travelling, the Pilgrims were less susceptible to being robbed. Essentially,